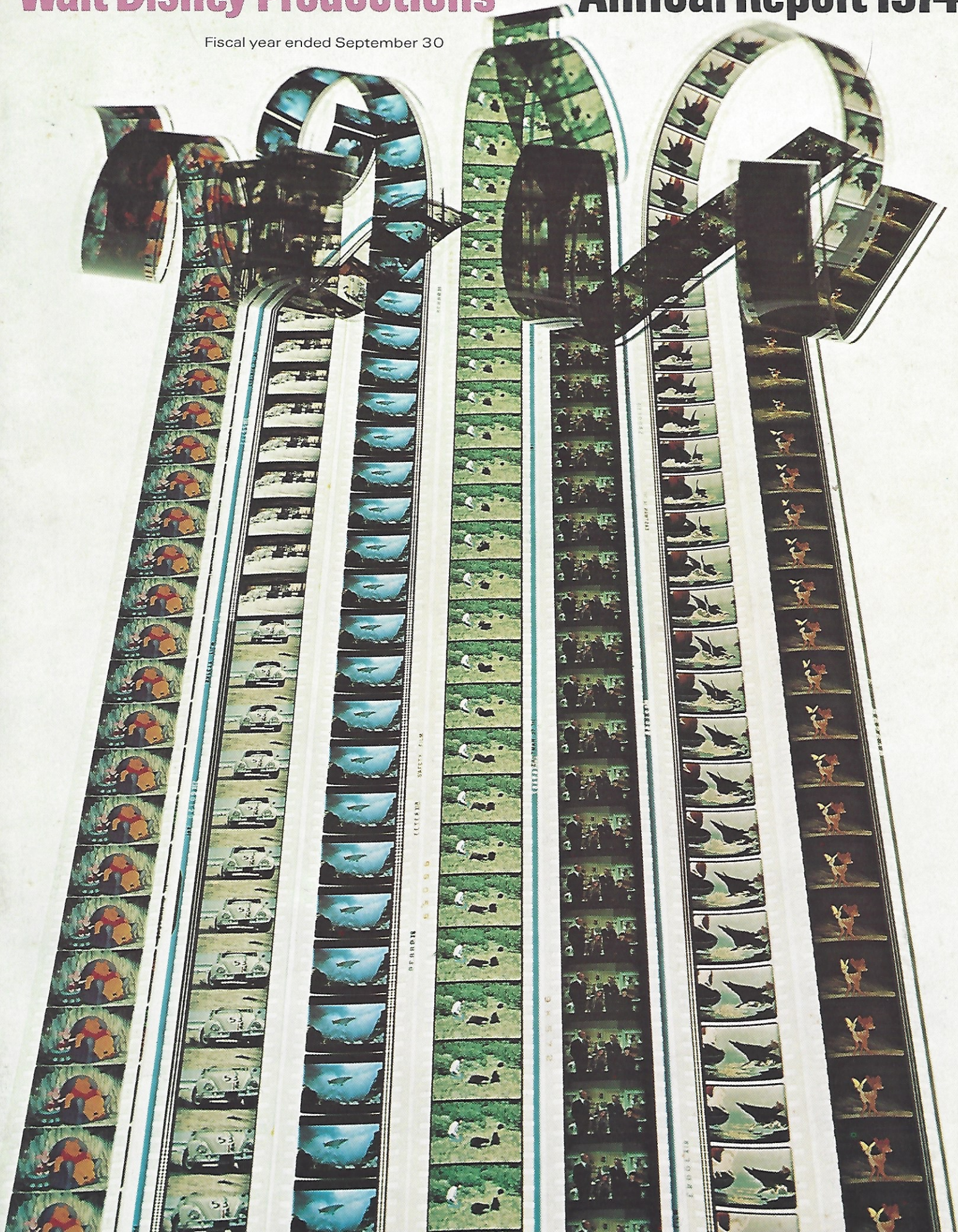
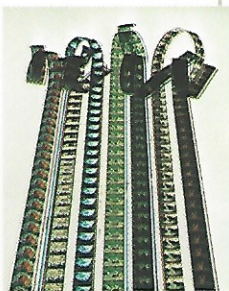
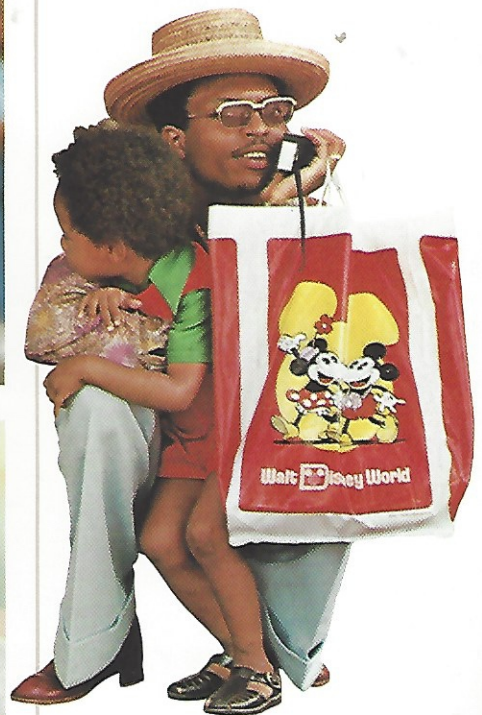


Walt Disney Productions Annual Report 1974

Annual Report 1974

Fiscal year ended September 30





ON THE COVER

Emphasizing the key role of motion pictures in the diversified activities of Walt Disney Productions are seven of the films which will contribute to revenues during fiscal 1975: (left to right) *Winnie the Pooh and Tigger Too*, *Herbie Rides Again*, *The Island at the Top of the World*, *The Bears and I*, *Escape to Witch Mountain*, *Fantasia* and *Bambi*.



Donn B. Tatum, E. Cardon Walker.

To our Shareholders and Employees:

Happiness—the product of family entertainment and shared recreational experiences (as reflected in the photographs on the opposite page)—is an important commodity in today's world. The creation of enduring family entertainment has always been a rewarding experience for those of us associated with Walt Disney Productions, and this seems especially true in times of national stress, when people historically have turned to some form of entertainment or recreation to escape from the cares of their daily lives.

Inflation, the crisis of confidence in government and the prolonged concern about the availability of gasoline had a profound effect upon business activity in the United States during the past year, and our Company felt the impact of these conditions, as did everyone else. Yet, due to the high degree of diversification and flexibility we enjoy at Walt Disney Productions, we were able to register our seventh consecutive year of record revenues, net income and earnings per share.

In November, 1974, at the time of this writing, there is no way that the management of this Company, nor any other, can predict when the current inflationary spiral will be controlled, or when an economic turnaround will occur.

However, our valuable assets (carried on the balance sheet at \$742,616,000, up 10% in fiscal 1974), our strong cash flow and relatively small existing debt (only 11% of equity) place us in a very flexible position at this time of national uncertainty.

At year end, the Company's long-term debt stood at \$58,170,000, of which \$55,000,000 represented the outstanding balance of a declining and revolving seven-year term loan with the Bank of America and a group of Florida banks, the final payment on which is due in October, 1981. The Company has a call on an additional \$10,000,000 under the term loan agreement, and also has available a revolving \$25,000,000 unsecured line of credit at the prime rate.

In accordance with a plan established prior to the opening of Walt Disney World, 1975 will mark the completion of the Company's major first phase capital construction plan for Florida's "Magic Kingdom" theme park, a goal achieved almost two years ahead of schedule. The total Company's 1975 capital expenditure program will be substantially below fiscal 1974 when it totaled \$67,241,000. We, therefore, expect to make further

reductions in the Company's outstanding debt during the coming year, and interest expenses should decline as well.

Our commitment, in both our films and our theme parks, has always been to invest in long-term values, and this policy, we believe, has created assets which will be vital revenue-producers for years, and perhaps even generations.

For example, the total original production cost of our wholly-owned motion picture and television library was \$365,066,000 at year end, of which only \$27,055,000 remained unamortized. \$20,678,000 represented films now in release, and the remaining \$6,377,000 represented motion pictures completed but not yet released. The reissue and re-use of negatives from this classic library have generated approximately one-third of our total film rentals during the past seven years.

THE WALT DISNEY PRODUCTIONS FILM LIBRARY

(as of September 30, 1974)

516 SHORT SUBJECTS
23 ANIMATED FEATURES
84 LIVE-ACTION MOTION PICTURES
7 TRUE-LIFE ADVENTURE FEATURES
331 HOURS OF MICKEY MOUSE CLUB SHOWS
78 ONE-HALF HOUR ZORRO SHOWS
43 ONE-HALF HOUR MOUSE FACTORY SHOWS
474 HOURS OF FILMED TELEVISION SHOWS

At year end, the Company's entertainment attractions and visitor facilities at Disneyland and Walt Disney World represented an investment at cost of \$604,800,000, much of which was financed in the favorable economic climate which existed between 1968 and 1971.

In Florida, the Company has invested approximately \$141,000,000 in such basic items as utilities, service and administrative facilities, the monorail system, Bay Lake and the related waterways, and underground service areas. These provide operating efficiency and capacity to support future expansion, and have helped to establish Walt Disney World as the most environmentally-conscious, sophisticated and popular recreation destination ever built.

The Company owns 28,155 acres of land and holds long-term leases on another 64 acres. All of this land is carried on our balance sheet at its cost: \$16,507,000. In addition to Disneyland and our Florida properties, this includes the 727-acre Golden Oak Ranch in the Newhall-Saugus area of California, the 44-acre studio in Burbank; and the site of Celebrity Sports Center in Denver, Colorado.

Our diversified operations also reach into such fields as merchandising, music publishing, record manufacturing, publications, community development, the production of audio-visual materials for educational use, the rental of 16mm films, and the promotion of travel.

Our total activities brought gross revenues of \$429,889,000 during fiscal 1974, up 11.6%. Worldwide motion picture

and television rentals increased 19% to \$90,390,000, and revenues from the consumer products group increased 20% to \$57,074,000. In fact, all major lines of business reported record revenues.

However, our theme parks experienced continuing inflationary pressures in labor and material costs, as well as increases in such fixed costs as utilities, depreciation, property taxes and interest, which substantially offset the revenue gains. The experience of our theme park management in controlling costs and seeking new efficiencies during the year will benefit the Company through improved operation of these facilities over the long run.

The fiscal fourth quarter ending September 30, always a key factor in assessing the Company's performance for any year as a whole, brought record revenues and net income, up 20% and 12%, respectively, lifting net income for the year to \$48,328,000 (or \$1.66 per share). Stockholders' equity rose 9% to \$552,478,000.

Cash dividends paid during fiscal 1974 amounted to \$3,483,000, and were in addition to a 2% stock dividend paid January 1, 1974 to stockholders of record December 3, 1973.

The Company Pension Plan, covering substantially all of our domestic employees not covered by motion picture industry or specific union pension plans, is in sound condition. The new pension legislation of 1974 will not require material changes in the benefit or vesting provisions of the plan and accordingly Company costs relating to these changes will be minimal. There will be additional administrative and reporting costs resulting from the requirements of the new law.

As of October 31, 1974, the market value of the plan's portfolio of investments was approximately 6% less than the cost of those investments. However, asset market value exceeds net cash invested since inception of the plan by approximately 17%. Unfunded past service liability is approximately \$2,500,000; which is being amortized over the next 15 years. As of the same date the proportion of the pension plan portfolio invested in fixed income debt securities was approximately 78% of the total amount invested (about 83% of the current market value of the total portfolio). The balance was in common stock equities.

In September, the Company announced the termination of its agreement with the Wrather Corporation, which would have resulted in the sale to Disney of the Wrather subsidiaries which own and operate the Disneyland Hotel. Pending litigation against TelePrompTer, which affects the Wrather Corporation, made it impossible for Wrather to follow through with its proposed plan of complete liquidation, thereby precluding their sale of the Disneyland Hotel.

For Walt Disney Productions, 1975 will be a year of transition and preparation. It will mark the completion of a major construction program that will bring Walt Disney World's "Magic Kingdom" up to its targeted capacity of 70,000 rides-per-hour, and it will be a year of planning for new projects which should signal a new era of growth for our Company.

We have available many challenging opportunities—among them, the "World Showcase", the first element of the Experimental Prototype Community of Tomorrow in Florida, and the proposed all-year, outdoor recreational project

at Independence Lake in Northern California, both of which will be discussed later in this report.

We have also begun exploring the potentials and possibilities for establishing a Disney-themed, amusement-recreational complex in a foreign country. We are fortunate that we can afford to pick and choose those projects which are in the Company's best interests, and are most compatible with the Disney name and image, without any pressure to have to do any of them until the feasibility and economics are right.

This has been a year of uncertainty and difficulty. The stock market has experienced a severe decline and our stock has, unhappily, been no exception. Considering the economic climate, our Company has performed well; and this is because of the quality of the products and services which we offer, the value which the public places upon them, and the strength and acceptability of the great name under which we do business.

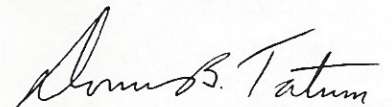
As to the future, even though the difficulties and uncertainties will continue, there is no reason for us to lack confidence in our prospects. We are stronger financially, creatively and organizationally than we have ever been. Our assets are larger than ever and are real in the sense of their proven ability to generate revenue. Our motion pictures and other products continue to be well received and we have in Walt Disney World and Disneyland the world's two most exciting destination attractions.

We are reasonably entitled to expect that we shall reach new plateaus of success in our ongoing businesses. At the same time we have substantial new opportunities which will surely materialize with time.

With all of this and a talented, dedicated organization of approximately 14,000 employees, we shall continue to progress and will emerge from the current period uniquely prepared for further success in the years ahead.

Burbank, California

November 18, 1974



Donn B. Tatum, Chairman of the Board



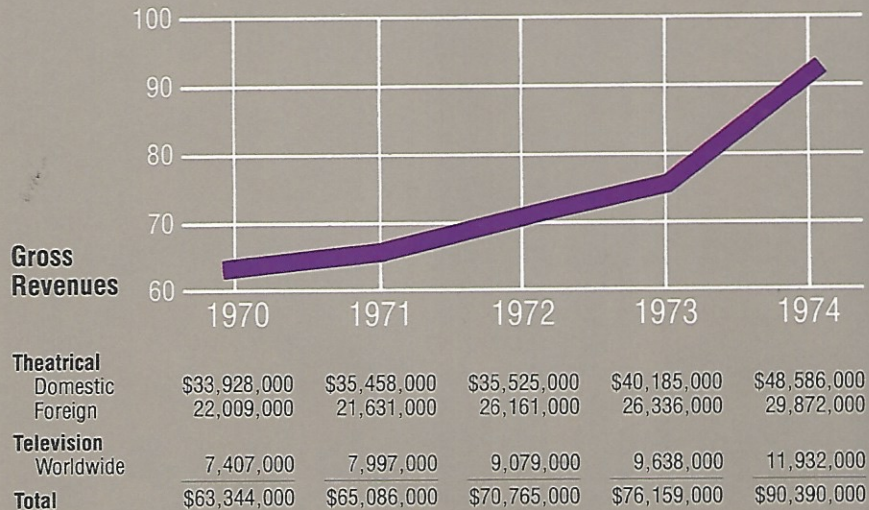
E. Cardon Walker, President



LASTING VALUES: Among the major assets generated by Walt Disney Productions during its 51-year history are those seen on this page (clockwise, from top): the Walt Disney Studios in Burbank, worldwide headquarters for motion picture and television production activities; Walt Disney World, situated on more than 27,000 acres of land in Florida; a creative and talented organization, as represented by the performing talent from Disneyland, who appeared at the Music Educators National Convention in March; a wholly-owned and virtually irreplaceable film library, represented by a reissue of "Bambi" in Japan; and Disneyland, which has been host to more than 130,000,000 guests during its 20-year history.



Motion Picture and Television Distribution



The exceptional performance of three new motion pictures and the careful utilization of the Disney film library enabled the Company to achieve record motion picture and television revenues during fiscal 1974, up 19% to \$90,390,000. (For comparative purposes, the revenues of the Walt Disney Educational Media Company are now being reported under the Consumer Products group.)

Domestic theatrical revenues reached \$48,586,000, up 21%. Major contributors to this record total (together with their estimated film rentals in the United States and Canada during the current release) were: "Robin Hood", the full-length animated feature released during Christmas, 1973 (\$9,500,000); "Superdad", a comedy offered to exhibitors on an all-Disney program with a reissue of "Son of Flubber" (\$6,500,000); and "Herbie Rides Again" (\$17,500,000). "Herbie", a sequel to the popular 1969 release, "The Love Bug", is now expected to become the second highest grossing domestic release in the Company's history, a rare instance where a sequel has outperformed the original film.

Foreign motion picture rentals increased 13.4% to \$29,872,000. The top markets for Disney films during fiscal 1974, in order of performance, were the United Kingdom, Italy, France, Australia, Germany and Japan.

"Bedknobs and Broomsticks", the first Disney live action musical to be dubbed in Spanish and Portuguese for Latin American release, will gross an estimated \$1,100,000 in that area—the third highest gross ever attained by a Disney film in Latin America.

"The World's Greatest Athlete", with film rentals of \$740,000, outperformed all previous Disney releases in Australia, excepting "Mary Poppins" and "The Love Bug".

In France, "Snow White and the Seven Dwarfs" brought rentals of \$2,200,000, an all-time record for a Disney reissue in that country—almost four times more than it grossed during its previous French reissue in 1962.

"Fantasia", in reissue, became one of the year's highest grossing American films in Italy, bringing revenues of

\$850,000, almost five times more than it earned during its previous reissue in 1967.

In the United Kingdom, "Robin Hood" began its release during the Christmas, 1973, holidays and brought film rentals of \$2,600,000, an all-time record for an animated release there. "Herbie Rides Again" began its United Kingdom release in February, 1974, and is expected to gross \$2,300,000, almost double the performance of its forerunner, "The Love Bug".

During fiscal 1975, "Robin Hood" and "Herbie Rides Again" will both play in all of the Company's major European markets, in Latin America, Australia and the Far East. "The Island at the Top of the World" premiered in the United Kingdom during the Christmas season.

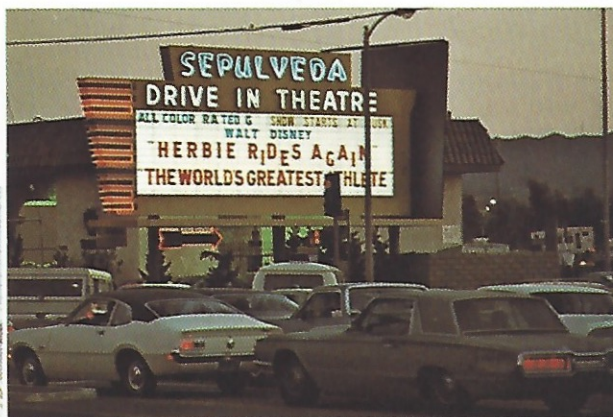
Worldwide television revenues increased 24% to \$11,932,000. At least one Disney television series—"The Wonderful World of Disney", "Zorro", "The Mickey Mouse Club" or "The Mouse Factory"—is now running in 56 different foreign markets.

"The Wonderful World of Disney" is the top-rated television show in the English-speaking sectors of Canada, reaching a total audience of almost 5,000,000 viewers there.

The series is now being dubbed into five foreign languages, and in Mexico, under the title of "Disneylandia", it has been among the top ten shows for eighteen years—Mexico's longest running series and the only foreign-produced show currently being run in prime time.

In Australia, "Disneyland", as the show is known there, is the most popular foreign-produced series, rated fourth among all shows on the air.

Drawing upon its extensive film library to generate additional revenues during a period of economic uncertainty, the Company licensed to NBC Television four films for broadcast during the network's "Saturday Night at the Movies" series. According to the National Nielsen survey, "20,000 Leagues Under the Sea" received an average share of audience of 40.8% when it aired February 16, and "The Parent Trap" recorded an average



AROUND THE WORLD: Long lines for "Snow White and the Seven Dwarfs" in Paris and "Robin Hood" in London, and a traffic jam created by "Herbie Rides Again" at a California drive-in (above) signal record-breaking engagements for Disney films.



share of audience of 36.4% on October 26. "The Three Lives of Thomasina" screened in December. One run each of "The Parent Trap" and "Pollyanna" remains under the contract.

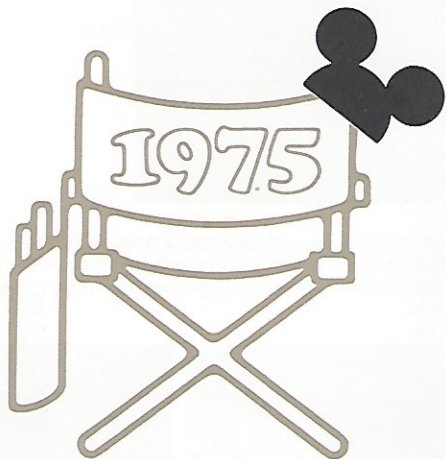
Responding to the need for quality children's programming, the Company will once again syndicate "The Mickey Mouse Club" in the United States. As of this writing, the series is expected to be seen in approximately 50 major markets, five days each week for a minimum of 26 weeks, beginning about January 20, 1975. Initial market tests indicate strong interest, both from young children who have never before seen the series, and from adults, as nostalgia. Depending upon public response, enough programs exist to continue in syndication for more than two years.

EXCLUSIVELY DISNEY: In many major cities of the world, there is a growing demand for Disney films, not just during holiday periods, but throughout the year. During 1974, the redecorated Continental Theater in Mexico City (below) became an exclusive Disney showcase. Other theaters which play Disney films virtually exclusively are the La Royale in Paris, the Ambassador in Brussels, the Metropole in Copenhagen, and the Los Angeles in Buenos Aires.



SUMMER FESTIVAL: From June 26 to September 3, a Walt Disney Summer Festival brightened the marquees of 45 theaters in metropolitan New York and New Jersey. This new distribution concept, designed to stimulate support for Disney product in the area, generated film rentals of \$1,250,000 from nine weekly programs, and will be repeated next year. A highlight of the series was "Fantasia", now in its fifth consecutive year of reissue. During this time, the film has earned \$5,250,000, of which \$1,350,000 was recorded during fiscal 1974. The total is more than the combined revenues from "Fantasia's" five previous releases, which began in 1940.

Top Family Entertainment in the Disney Tradition



Paced by the most challenging epic adventure ever filmed by Walt Disney Productions, the year 1975 will bring to motion picture screens a complete spectrum of Disney entertainment—adventure, mystery, comedy, animation classics, and a feature-length review of memorable scenes from the Disney True-Life Adventures. Here's the exciting line-up:

Christmas, 1974: Four years in development and production, "The Island at the Top of the World", an exciting adventure in the Jules Verne tradition, follows four polar explorers, who travel via dirigible to an uncharted island, where they discover a lost civilization of Vikings. Filmed on locations spanning the Arctic Circle from Alaska to Greenland and in Norway, the production features an international cast headed by David Hartman, Donald Sinden, Jacques Marin, Mako, David Gwillim and Agneta Eckemyr. It was produced by Winston Hibler and directed by Robert Stevenson.

"Winnie the Pooh and Tigger Too", offered to exhibitors on the same program, is the third animated Disney featurette starring the huggable Pooh-bear and his friends from the Hundred Acre Wood. Based upon A. A. Milne's classic children's tales and original illustrations by Ernest H. Shepard, this enchanting featurette was produced by Wolfgang Reitherman and directed by John Lounsbery.

January, 1975: "Swiss Family Robinson", one of Disney's all-time box office hits, returns to motion picture screens for the third time. John Mills, Dorothy McGuire, James MacArthur and Janet Munro star in this filmization of the classic tale of a Swiss family shipwrecked on a desert island.

February, 1975: In "The Strongest Man in the World", two college science majors unwittingly concoct a formula that gives people superhuman strength with hilarious results. Starring Kurt Russell, Eve Arden, Cesar Romero, Phil Silvers and Joe Flynn, this supercharged comedy was produced by Bill Anderson and directed by Vincent McEveety.

Easter: Eddie Albert, Ray Milland and Donald Pleasance star in "Escape to Witch Mountain", a thriller about two young orphans with supernatural powers who become

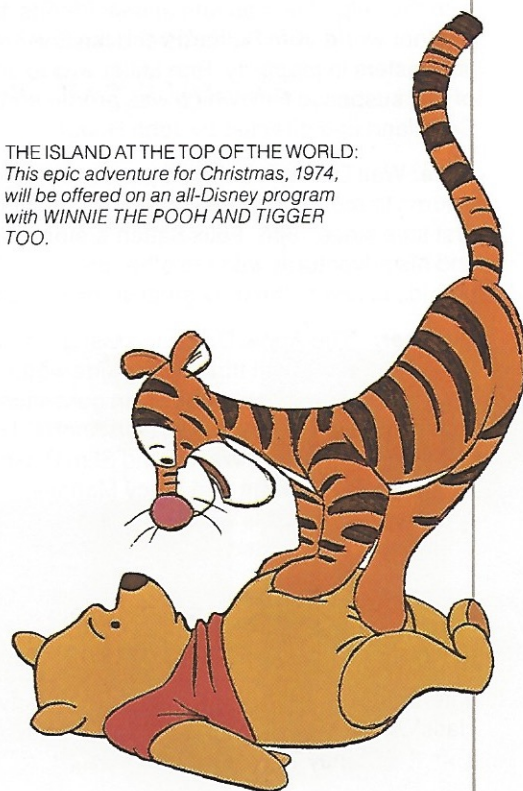


SWISS FAMILY ROBINSON: Classic adventure in a primitive, tropical paradise.

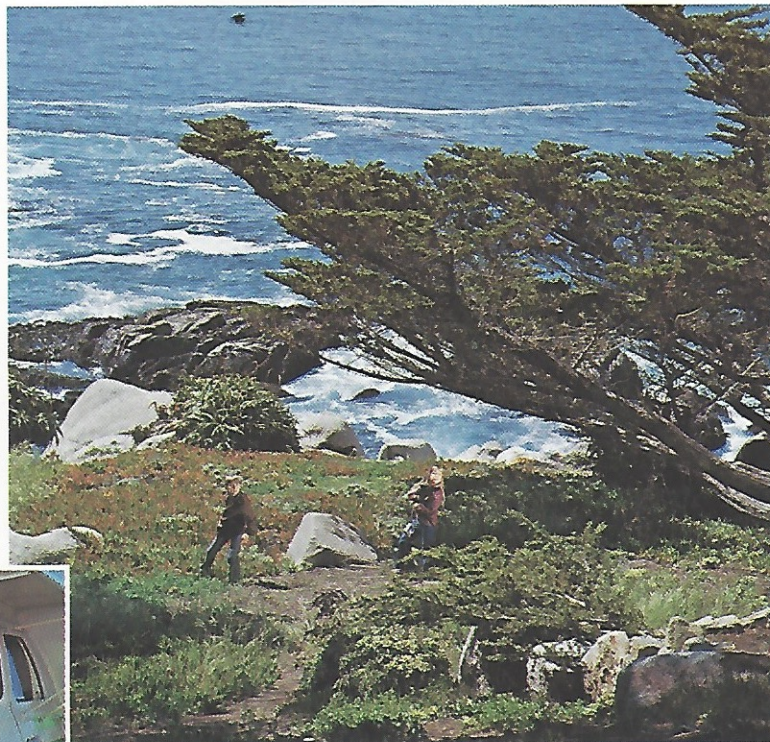




THE ISLAND AT THE TOP OF THE WORLD:
This epic adventure for Christmas, 1974,
will be offered on an all-Disney program
with WINNIE THE POOH AND TIGGER
TOO.



THE STRONGEST MAN IN
THE WORLD: Comedy
capers at Medfield
College.



ESCAPE TO WITCH MOUNTAIN: Mystery
adventure filmed on California's beautiful Monterey
peninsula.



captives of a ruthless billionaire and are finally rescued, with the help of human and animal friends, by someone from another world. Kim Richards and Ike Eisenmann are the youngsters in jeopardy. Ron Miller was executive producer of this suspense film, which was produced by Jerome Courtland and directed by John Hough.

June: Walt Disney's beloved cartoon feature, "Bambi", returns to motion picture screens for the fifth time, and the first time since 1966. Felix Salten's story of a deer and his adventures with the other animals of the forest unfolds in one of the truly great animation classics.

Summer: "The Apple Dumpling Gang", a lively, far-out comedy caper about three frisky kids who strike it rich and set off the wildest bank robbery in gold-mad El Dorado, stars Bill Bixby, Susan Clark, Don Knotts, Tim Conway, Harry Morgan, David Wayne and Slim Pickens. Clay O'Brien, Brad Savage and Stacy Manning play the precocious trio in this wacky western, produced by Bill Anderson and directed by Norman Tokar.

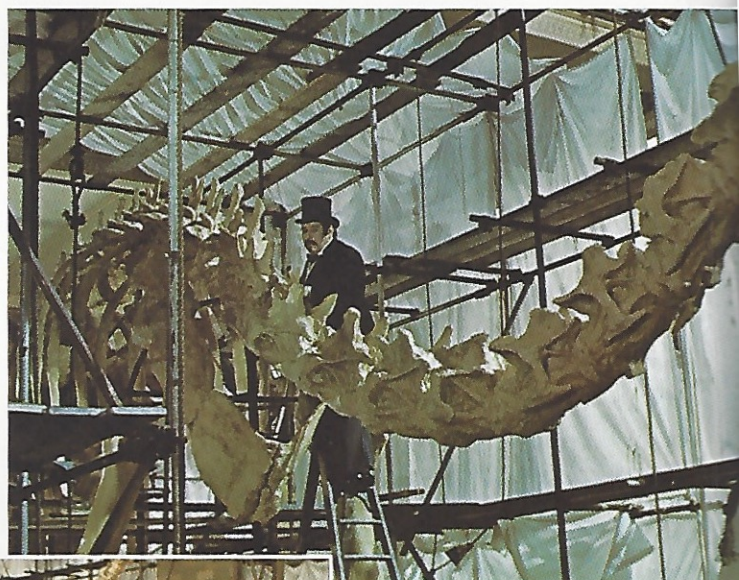
Summer: Helen Hayes, Peter Ustinov and Clive Revill are starred in "One of Our Dinosaurs Is Missing", a spy spoof set in London in the 20's, about a group of English nannies who steal a dinosaur from the Natural History Museum to keep a top-secret microfilm, concealed on the 200-million-year-old skeleton, out of the hands of pursuing Chinese agents. Written and produced by Bill Walsh and directed by Robert Stevenson on location in and around London, this happy combination of zany adventure and hilarious fantasy adds up to that special Disney brand of fun-for-all-the-family entertainment.

October: The most exciting wildlife sequences of Disney's nature photographers combine into one full-length feature entitled, "The Best of Walt Disney's True-Life Adventures". This classic combination of animal adventure will be one of the year's most outstanding motion picture events.

Christmas, 1975: Walt Disney's first full-length animated cartoon, "Snow White and the Seven Dwarfs", returns for a widely anticipated encore—its sixth appearance in the domestic market. Combining the most beloved Disney cartoon characters with the most memorable Disney music, this motion picture ranks as one of the great entertainment events in film history.



BAMBI: An encore for an animation classic.



ONE OF OUR DINOSAURS IS MISSING: Crafty comedy adventure with Peter Ustinov and Helen Hayes.





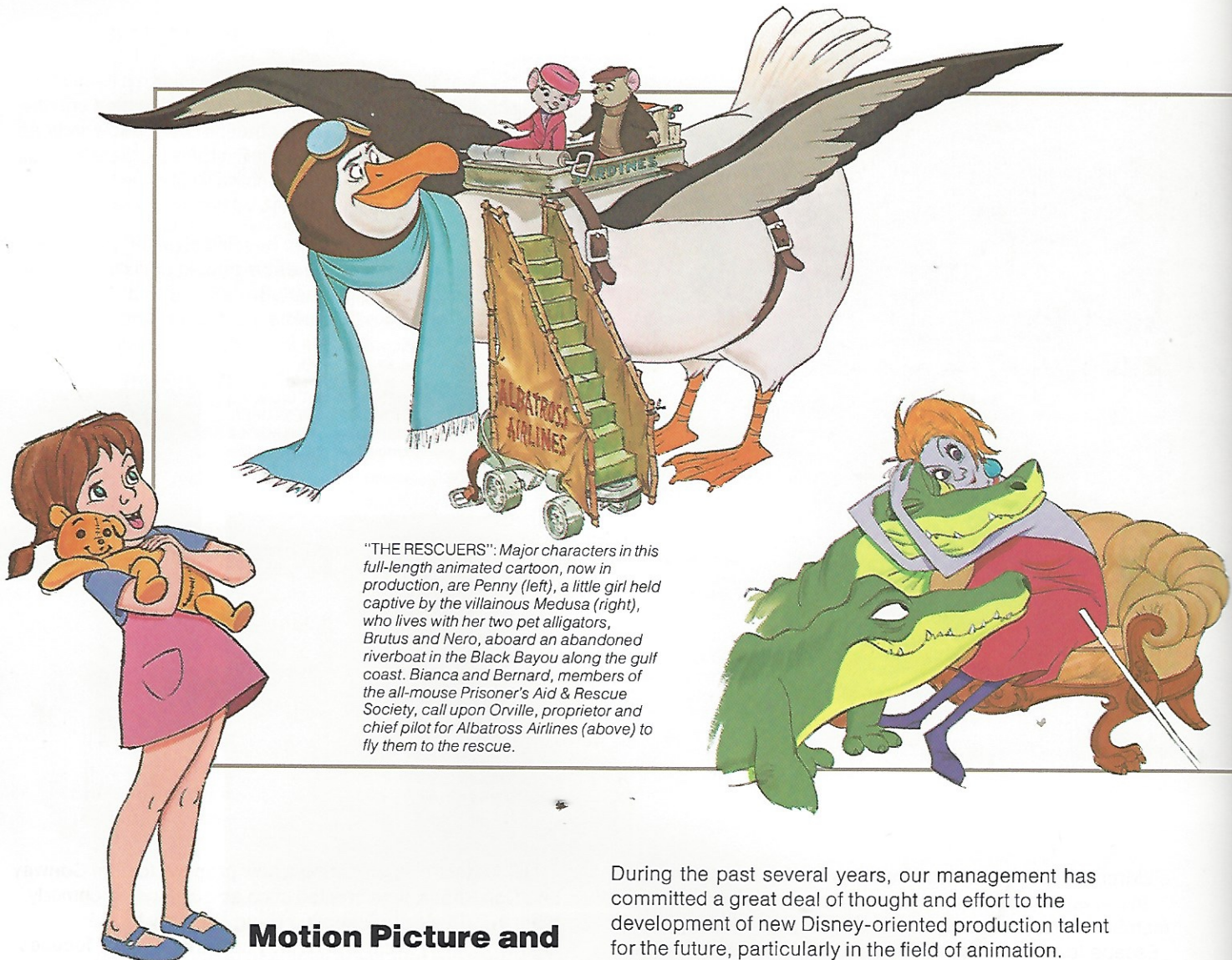
THE BEST OF WALT DISNEY'S
TRUE-LIFE ADVENTURES:
*A feature-length review of the
world's most outstanding wildlife
photography.*



THE APPLE DUMPLING GANG: *Wacky western comedy with an all-star cast.*

SNOW WHITE AND THE SEVEN DWARFS: A beloved
cartoon classic to delight a new generation for
Christmas, 1975.





"THE RESCUERS": Major characters in this full-length animated cartoon, now in production, are Penny (left), a little girl held captive by the villainous Medusa (right), who lives with her two pet alligators, Brutus and Nero, aboard an abandoned riverboat in the Black Bayou along the gulf coast. Bianca and Bernard, members of the all-mouse Prisoner's Aid & Rescue Society, call upon Orville, proprietor and chief pilot for Albatross Airlines (above) to fly them to the rescue.

Motion Picture and Television Production

By Ron Miller
Vice President - Executive Producer



IN AUSTRALIA: Producer Jerome Courtland visits youthful actor Robert Bettles on location for "Ride a Wild Pony".

During the past several years, our management has committed a great deal of thought and effort to the development of new Disney-oriented production talent for the future, particularly in the field of animation.

Our animation apprenticeship program, now in its third year, is continuing to train new young animators in the Disney tradition. Their work is exceeding even our own expectations, and a number of them have already begun working alongside our veteran animators in the production of "The Rescuers".

Under the leadership of producer-director Woolie Reitherman, this new full-length cartoon based upon the "Bianca" stories of Margery Sharp is progressing rapidly. There is a genuine excitement and enthusiasm around the studio for this tale about two mice named Bianca and Bernard. Members of the Prisoner's Aid & Rescue Society, an international all-mouse organization headquartered in the basement of the United Nations building, they are dispatched to the swamps along the gulf coast to rescue a small girl held captive by two mysterious villains, who make their home aboard an abandoned riverboat.

Eva Gabor, Bob Newhart, Geraldine Page and the late Joe Flynn are among those who have done voice characterizations. Phil Harris has been cast as Colonel Bullfrog, whose Swamp Volunteers join in the rescue effort.

Work on "The Rescuers" is progressing so well that our animation story team has begun developing two additional feature properties: "The Cauldron", a story by Lloyd Alexander based upon a Welsh fairy tale; and "The Fox and the Hound", a "Bambi-like" story by Daniel P. Mannix, in which a kit fox and a hound pup, who play together as



THE WONDERFUL WORLD OF DISNEY: Among the episodes planned for this popular Sunday night NBC-TV series during 1975 are:

THE SKY'S THE LIMIT: A retired World War I flying ace and his cranky sidekick restore a tattered old bi-plane in this two-part comedy-drama produced by Ron Miller and co-produced by Tom Leetch. Pat O'Brien and Ike Eisenmann (above) star with Lloyd Nolan.

SECRET OF OLD GLORY MINE: In this Harry Tytle-produced adventure-comedy, two ring-tailed cats surprise an old prospector who has just discovered a rich vein of silver (left).

DEACON, THE HIGH NOON DOG: Roger Miller narrates and sings several songs in this Roy E. Disney-produced spoof on every western ever made (right).



children, become enemies when they have grown up.

In live action production, Jerome Courtland, a new member of our producing team who guided the filming of "Escape to Witch Mountain", has just completed principal photography on "Ride a Wild Pony", which will be released in early 1976. Filmed in England and Australia, this is a classic drama about a tough Australian farm boy and a crippled young heiress, who each claim to be the owner of a pony. The local judge finally lets the pony make the decision for himself.

In "Gus", our next comedy, a mule with a talent for kicking 100-yard field goals ends up being drafted by a losing professional football team. It will begin production next April.

Bill Walsh is developing another wacky comedy entitled "The Arf Ticket", a follow-up to "The Shaggy Dog". Our hero has now grown up and is running for the United States Senate, but at critical moments, he keeps turning into a sheep dog.

"Pit Ponies", a drama set in a northern England mining community in the early 1900's, traces two brothers and their campaign to save two blind ponies, which have spent their entire lives pulling ore carts through coal mining tunnels. The ponies are ultimately brought to the surface, but are returned to help save men trapped in a cave-in.

Jerome Courtland has begun preparing "The Lost Ones", a drama of survival, in which three young children stow away in an effort to visit their father, an Air Force officer doing arctic research on a remote island off Norway. The children mistakenly scramble from the supply plane at the wrong island and become stranded.

Bill Anderson is preparing a new property for Tim Conway and Don Knotts, who created such an outstanding comedy team in "The Apple Dumpling Gang". A story by Tim Conway, "They Went That-a-way and That-a-way" focuses on two comic policemen. When the girl who once saved their lives goes into a women's prison on a secret undercover mission, they sneak into the prison dressed as women inmates and try to break her out, almost sabotaging her mission in the process.

Winston Hibler has begun work on the next epic adventure to be filmed by the Disney studios, "Space Station I". Set in the year 2016, the project will call upon the organization's talents in special effects to capture on film the perils of a sophisticated space station which is virtually torn apart by a supra Nova shock, and is being drawn toward a "black hole" in space.

Television production activities are now focusing on programming for the 1975-76 season of "The Wonderful World of Disney". In the face of strong new competition, the series has performed magnificently this past fall, reaching some of the largest total audiences in its history.

The series is now set through September, 1977, and the Company has extended options to NBC, which would allow the network to broadcast the series through the summer of 1978.

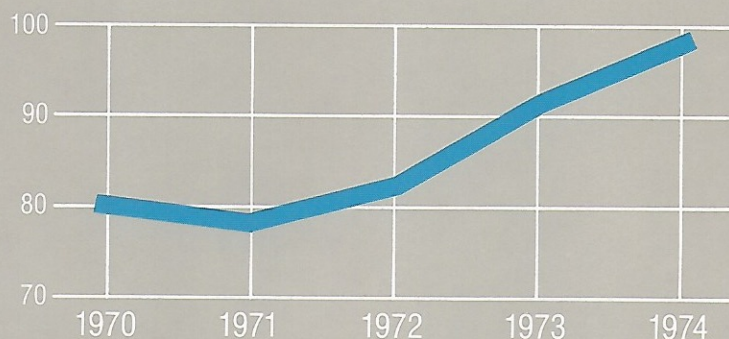
All in all, I am gratified by the dedication of our entire production team, and their commitment to maintaining Walt Disney Productions' leadership position in the field of family entertainment.

Ron Miller



H DISNEYLAND - ALWEC

Gross Revenues



Admissions and rides	\$42,998,000	\$40,221,000	\$42,281,000	\$46,869,000	\$48,947,000
Merchandise sales	14,678,000	15,765,000	16,881,000	20,134,000	23,061,000
Food sales	15,925,000	15,471,000	16,332,000	18,555,000	19,813,000
Lessee and other rentals	5,782,000	5,797,000	6,040,000	5,126,000	5,214,000
Other	519,000	578,000	660,000	505,000	437,000
Total	\$79,902,000	\$77,832,000	\$82,194,000	\$91,189,000	\$97,472,000



Disneyland

Attendance declined 4.5% during fiscal 1974, a commendable performance in light of the disruptions to vacation travel caused by energy-related uncertainties. Revenues increased 6.9% to \$97,472,000, reflecting higher per capita spending throughout the year and an 8-12% admission media price increase effected on June 16, to offset rising costs in labor, goods and utilities.

(Disneyland's own energy conservation program resulted in a 19% reduction in the use of electricity and a 27.5% reduction in the use of natural gas.)

More Southern California residents visited Disneyland during fiscal 1974 than during any other year in the Park's history. Many families chose to visit attractions near their homes, and as a result, local attendance was up 11.4% over the previous year, balancing to some extent a larger decline in out-of-state tourism.

Group sales, also primarily a local marketing function, increased by 8% during the year.

In addition, the marketing staff, working with the Walt Disney Travel Company, developed several successful air line tourist packages and promotions, carried out by Air California in the San Francisco Bay area, by American Airlines throughout the Eastern Seaboard, by Continental Airlines in mid-western cities, and by Western Airlines in the western United States and Mexico City.

Sears-Roebuck completed a major Disneyland promotion, offering contest winners in 25 key markets a trip to

Disneyland for a special premiere screening of the new animated featurette, "Winnie the Pooh and Tigger Too".

The Park benefits from having a 12,000,000 Southern California population base upon which to draw. A number of special promotions including newspaper, radio and television advertising campaigns designed to increase Disneyland's penetration of this local market, resulted in a 10% increase in repeat visits during the year.

The June opening of "America Sings" was also an important factor in stimulating repeat visits during the summer months. Located in Tomorrowland's Carousel Theater, this 24-minute, four-stage show features more than 100 "Audio-Animatronics" animals, who lead guests through four eras in American musical history—the Early South, Old West, Gay Nineties and Modern Times.

The spectacular "America on Parade", which will premiere at both Disneyland and Walt Disney World in June, 1975, will perhaps be the most elaborate continuing event staged anywhere in celebration of America's Bicentennial. 30 minutes of moving pageantry dedicated to the American life, spirit and freedom, "America on Parade" will be staged in both theme parks every day they are open for 14 months, concluding in September, 1976. This exciting concept will be an important reason for both local residents and out-of-state tourists to include a Disney theme park in their vacation or recreational plans during the next two years.



AMERICA SINGS: Count Basie, Carol DeKeyser, Disneyland's 1974 Ambassador, and Mickey Mouse officiated at the opening ceremonies for the Park's 54th attraction on June 28. This carousel of song features more than 100 "Audio-Animatronics" animals in a humorous review of our nation's 200-year musical history.





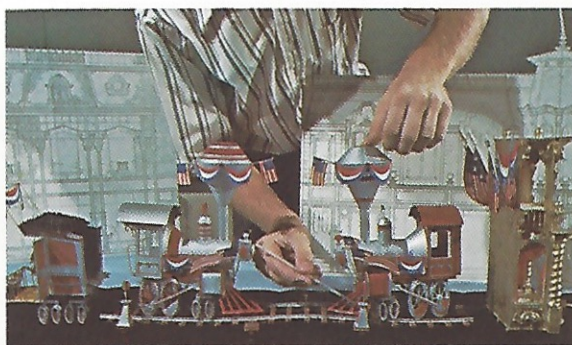
PARADE PRODUCTION: Costumers and model builders take the first steps in the creation of "America on Parade", scheduled to appear at Disneyland and Walt Disney World for fourteen months, beginning in June, 1975.

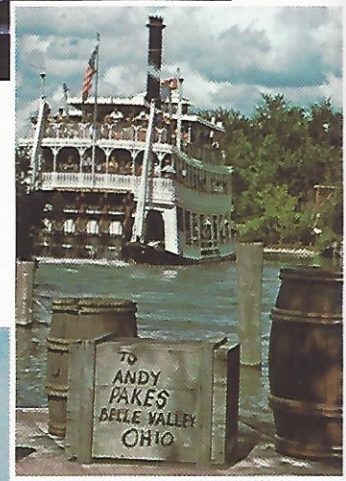


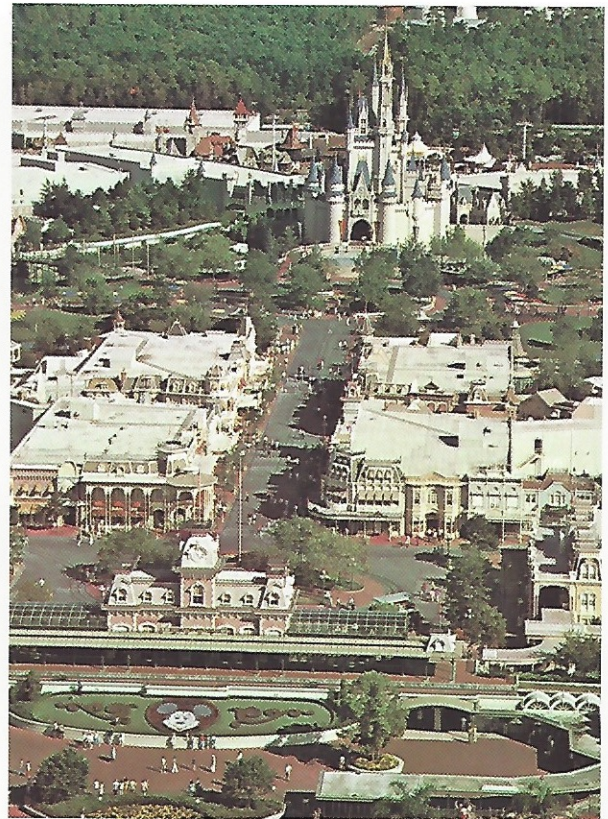
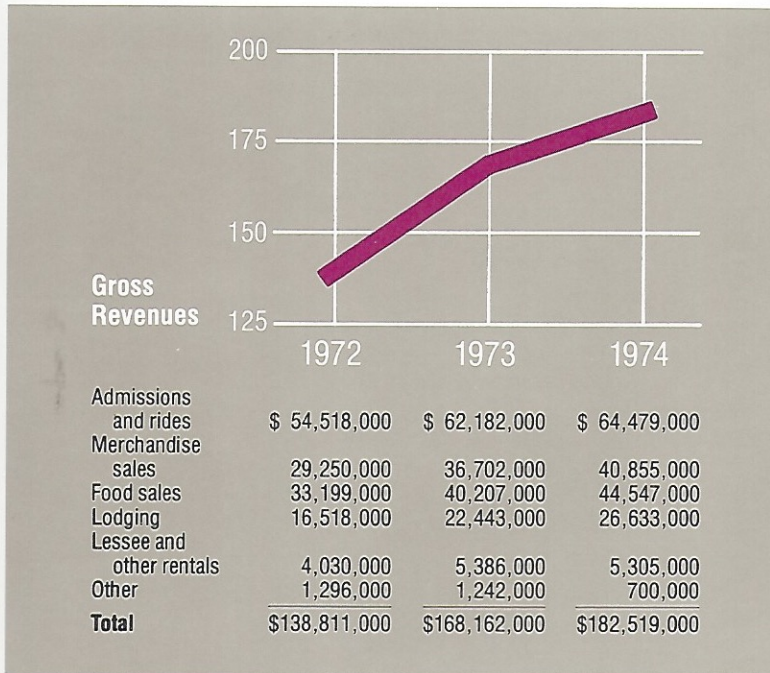
The Disney organization's contribution to America's Bicentennial celebration, "America on Parade" will be the first major extravaganza ever produced for joint performance at Disneyland and Walt Disney World. Premiering in both theme parks during June, 1975, it will continue until September, 1976. The event will be televised nationally in June or July, 1975.

Depicting America's founding, its creations and its people, and culminating in a spectacular moving celebration of the 4th of July, "America on Parade" will feature 36 major moving set pieces, each 22 feet high, more than 100 other stylized props, and approximately 300 live participants in a lighthearted 30-minute procession down Main Street.

Ushering in a whole new era in costume design and staging for outdoor pageantry, the parade, now in production, calls upon the full imagination and creativity of the Disney organization in the styling of costumes, props and moving show pieces. Hundreds of guest marching bands will appear in "America on Parade" during its 14-month engagement at the two theme parks.







Walt Disney World

Attendance at Walt Disney World's "Magic Kingdom" theme park declined by 6.5% to 10,834,000 during fiscal 1974, almost entirely a reflection of public uncertainties about vacation travel during the peak months of the energy crisis. In the Company's fourth fiscal quarter, when fuel was again generally available, attendance rebounded to within .2% of 1973's all-time record level.

The number of guests arriving by means other than automobile increased 33% to 2,166,000, indicating some adjustment in travel plans in response to the energy situation.

The number of automobiles entering the state of Florida, which had declined by as much as 41% in February and 49% in March, was within 10% of the previous year in August. The decline was approximately 20% for the year as a whole. Therefore, Walt Disney World, in 1974, attracted a larger percentage of the available tourist market than it did in the previous year.

24% of all attendance represented repeat visits, a figure almost double that of Disneyland during its third full year of operation. In order to encourage additional visits to the "Magic Kingdom", thereby increasing the length of stay, two-day, 17-ride ticket books, which include a ticket to visit the recently opened "Treasure Island", are being sold through local hotels and motels.

21% of all theme park admissions were sold through the "Magic Kingdom Club", an effective nationwide Disney marketing organization, which reaches over 4,000,000 members through 10,500 chapters at corporations, military bases, labor unions, and other associations throughout the country.

In actual numbers of residents, Florida is the fastest growing state in America. From April, 1970 to July, 1974, its population grew by approximately 1,300,000 people,

increasing by 19% to more than 8,000,000. This local market accounted for 28% of all theme park visitation during the year.

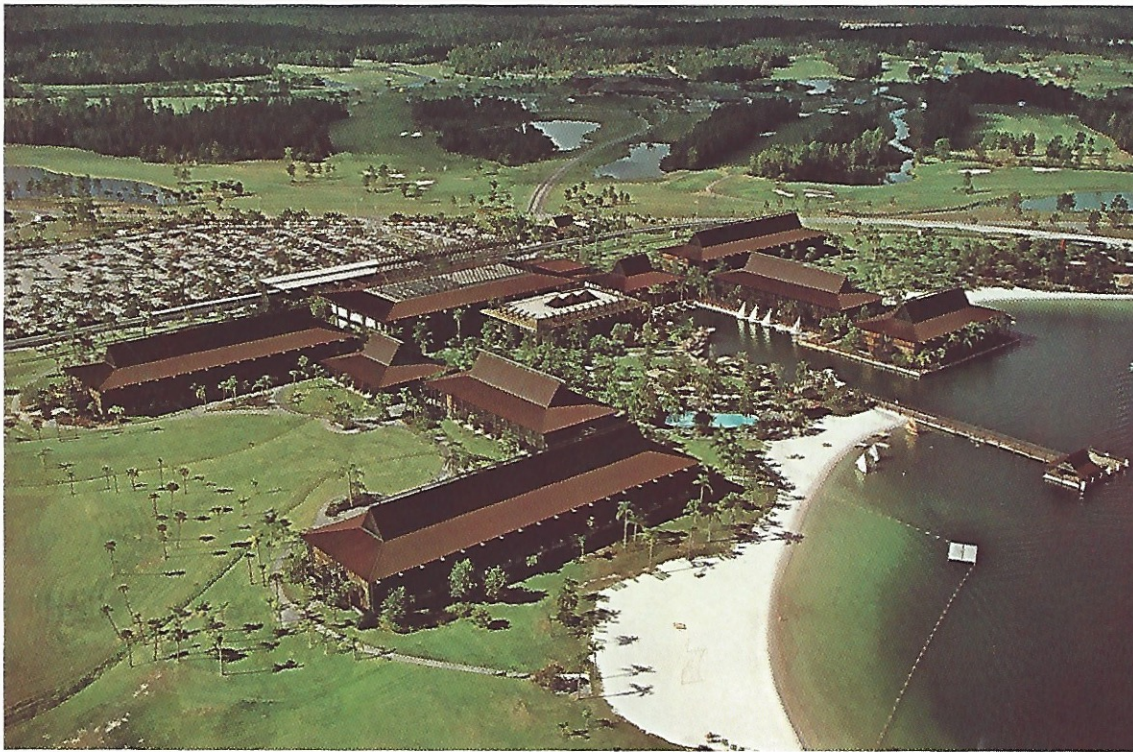
Total revenues at Walt Disney World increased 8.5% to \$182,519,000, partially due to a 12-15% increase in theme park admission media placed in effect on June 16. However, reflecting the general economic conditions which have affected all businesses during the past year, the Company experienced increases in labor and material costs, and in such fixed costs as property taxes, utilities and depreciation. These offset much of the increase in revenues. Through efficient management of operations, total labor man-hours were actually less than in fiscal 1973, even though a number of major new attractions were opened during the year.

In late October, 1974, the 1,200 employees represented by the Craft Maintenance Council ratified a new two-year labor agreement which will remain in effect until October 1, 1976. The Craft Maintenance Council includes Local and International unions representing bricklayers, carpenters, electricians, ironworkers, laborers, operating engineers, painters, plumbers and teamsters.

Walt Disney World's three resort-hotels—the Contemporary, the Polynesian Village and the Golf Resort—operated at a combined occupancy rate of 96% for the entire fiscal year.

In late 1973, management began allocating a larger percentage of our available hotel capacity to convention sales. As a result, some 245,000 room-nights, or 80% of the total capacity of our three resort-hotels for the six months following November 1, 1974, had already been sold as of that date.

Utilization of the 714 campsites in the 1,000-acre Fort Wilderness complex increased by 9%. The campgrounds experienced a 70% occupancy rate for the entire year,



THE POLYNESIAN VILLAGE: 492 rooms amid the leisurely atmosphere of the "south seas".

being filled to capacity during the summer and most holiday periods.

The Fort Wilderness "Swimming Hole", a major recreational facility, is now being planned for the area. Along with the other existing attractions and activities now available in Fort Wilderness, this themed swimming area will make it possible for the Company to develop a ticket book for the campground recreational activities.

"Pioneer Hall", a major entertainment, restaurant and arcade facility, opened in March and soon established itself as a popular guest attraction and profitable operation. Twice as many guests come from the resort-hotels to attend the dinner show in Pioneer Hall than from the campgrounds themselves.

"Treasure Island", an 11-acre island in the middle of Bay Lake featuring winding paths, streams, a botanical garden and more than 500 rare tropical birds, opened to visitors for Easter. The attraction has operated profitably since opening and offers an additional dimension to our Walt Disney World marketing program.

During the first half of 1975, the "Magic Kingdom" will reach its projected capacity of 70,000 rides-per-hour, about equal to Disneyland in California. This will mark the completion of a major capital investment program designed to expand peak operating capacity—a goal established prior to opening and achieved almost two years ahead of schedule.

In December, 1973, the "Pirates of the Caribbean", an adaptation of the famous Disneyland attraction began operations, with a guest capacity of 4,200 per hour. The attraction is the focal point of Caribbean Plaza, a themed complex of shops and refreshment areas.

An expanded Grand Prix Raceway, presented by Goodyear, reopened in time for the Christmas, 1973 season, and "Magic Carpet 'Round the World", a spectacular

THE CONTEMPORARY
RESORT-HOTEL: Sleek monorail
trains glide through the Grand
Canyon concourse of the
1,057-room resort-hotel.



THE GOLF RESORT: Home of the 1974 Walt Disney World Golf Classic—the PGA National Team Championship won by Hubert Green and Mac McLendon.



filmed travel adventure, premiered in Monsanto's 360° Circle-Vision pavilion in March.

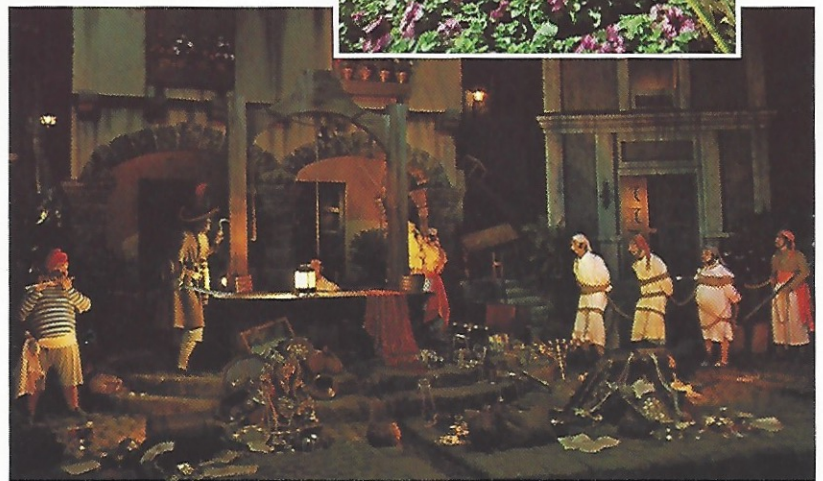
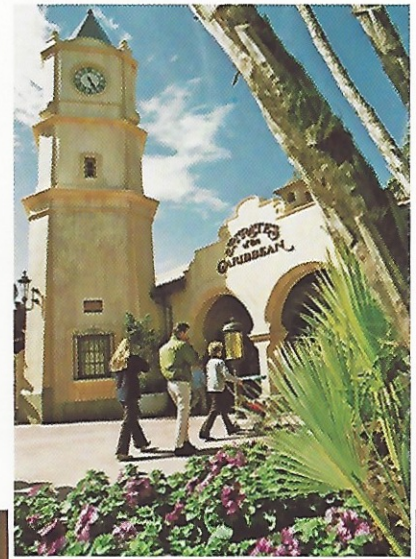
The year's most significant forward step at Walt Disney World has been the extension of Tomorrowland. Towering over the area is the new 176-foot high "Space Mountain", presented by RCA. This cone-shaped structure, wider in diameter than a football field, houses perhaps the most dazzling and exciting amusement attraction in history. The attraction will celebrate its Grand Opening on January 15.

Visitors enter the "Space Mountain" via a "Star Corridor", where they may look through unique "windows in space" to see orbiting communications satellites at work in outer space. Upon their arrival at the "Launch Platform", guests board eight-passenger space capsules for a breathtaking race through "outer space", experiencing the simulated sensations of "pitch and yaw" and the "forces of G" in a spectacular return to earth. After disembarking, visitors are carried on a moving ramp past RCA's "Home of Future Living", where they will view a whole new world of electronic technology for the home.

Also commencing operation in January is the General Electric "Carousel of Progress". This free attraction offers



CARIBBEAN PLAZA: Home of the famous "Pirates of the Caribbean" (below), this complex of shops and refreshment areas opened in the "Magic Kingdom" early in fiscal 1974.



guests a nostalgic view of the role of electricity in four eras of American life. The final act has been redesigned to incorporate the life styles and technology of the 1970's.

The popular "Star Jets", from which guests may look down upon the "Magic Kingdom" while whirling 60 feet above the ground, opened for the Thanksgiving holidays.

A fourth major Tomorrowland attraction, the "WEDway PeopleMover" is now under construction with completion planned for June. Here, 32 five-car "trains" will travel almost one mile of elevated track, propelled by a new Disney-engineered and designed linear motor. This totally pollution-free propulsion system creates a magnetic field which "pushes" the trains along their route. Now being made available to third parties through the Community Transportation Services Division, the "WEDway People-Mover" may one day be installed in airports, shopping centers and other downtown areas.

Elsewhere in Walt Disney World during the year, the Company moved ahead with additional utilities, employee services and other needed support facilities. Among the major items were the expansion of the Central Energy Plant; the Company's investment in a new World Telephone

Building; completion of "The Center", a building to house employee services and other administrative activities; and a main entrance wardrobe and utilities building.

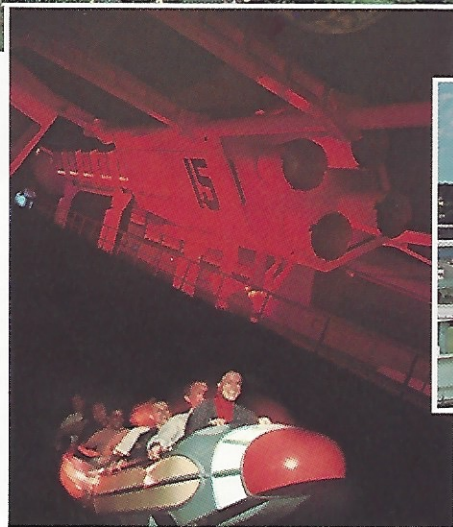
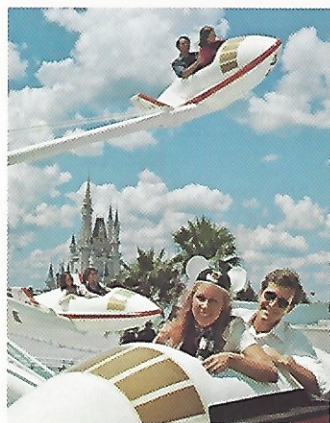
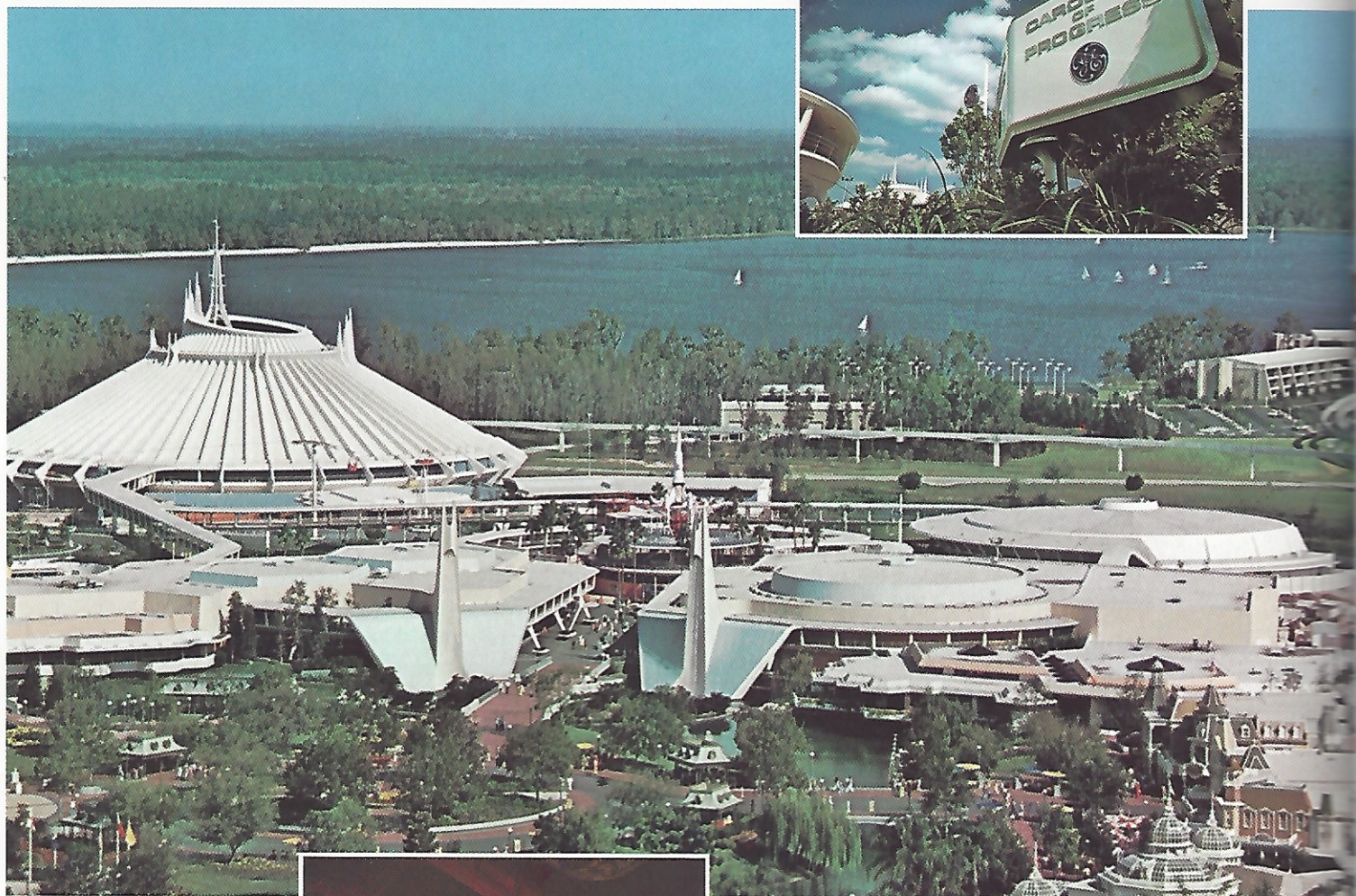
Additional utility lines were installed in the Community of Lake Buena Vista to support future residential development; "The Village", a regionally-oriented complex of 32 boutique and handicraft shops, convenience food stores and waterfront restaurants, now under construction and scheduled for opening next Easter; and the newly-opened Lake Buena Vista Club, the community's family recreational center.

In July, the Company entered into an agreement with the Grant Corporation subsidiary of Santa Anita Consolidated, Inc., to study the feasibility of developing an adult retirement community, a complex of vacation townhome homes, corporate-executive retreats located along the fairways of the Lake Buena Vista golf course, and moderately priced residential apartments, all on lands now owned by Disney.

After preliminary study, the Grant Corporation determined that they did not feel the property east of Interstate Highway "4" was suited for the type of adult retirement community envisioned.

Although both Companies remain interested in building

TOMORROWLAND: This exciting "Magic Kingdom" expansion program features the spectacular "Space Mountain", General Electric's "Carousel of Progress" and the popular "Star Jets". The area will be completed in mid-1975 with the opening of the "WEDway PeopleMover."



the town homes, corporate-executive retreats and residential apartments, the Grant Corporation, which is responsible for financing these projects, has been slowed in its efforts by the general economic conditions which have hindered residential construction activities throughout the United States. Grant must notify Disney further of its plans for these projects during the early part of 1975.

Meanwhile, the existing Lake Buena Vista Villas and the community's recreational activities are being marketed by the Walt Disney Travel Company under a new corporate Incentive Travel Package.

In summary, Walt Disney World, which in only three years of operation has recorded more than 33,000,000 theme park admissions, has firmly established itself as one of the most popular recreational destinations in the world. Fiscal 1974, although a difficult year, brought valuable experience to the project's young management team. Looking beyond the economic uncertainties which faced the United States at the end of 1974, the Company believes that it has, at Walt Disney World, the finest total recreation complex in the world—one which will attract larger and larger audiences in the years to come.

The Disney Fine Arts Work Experience Program: Presented in association with California Institute of the Arts, the professional-level school for the creative and performing arts founded by Walt Disney, this highly innovative program brought college credit and a full summer of valuable professional experience to 98 young collegiate performers from all over the United States.

Aimed at bridging the gap between academic training and the realities of the professional show business world, this twelve-week, tuition-free workshop was conducted at both Disneyland and Walt Disney World. Through the cooperation of participating labor unions and the students' home colleges, these young people, chosen by audition from more than 400 applicants, were paid to both work and study under top-name professionals.

In both theme parks, students appeared regularly in one of two ensembles, "The All-American College Marching Band" and "The Kids of the Kingdom". At Walt Disney World, two additional units were formed—a Jamaican Police Band and a musical comedy team which staged popular audience participation shows in "Pioneer Hall", the new theater-restaurant in Fort Wilderness.

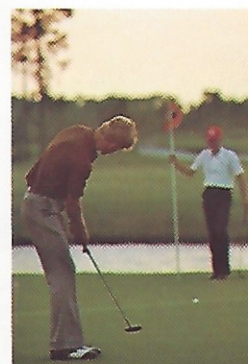
This immensely successful program will be expanded and repeated in both theme parks next summer.



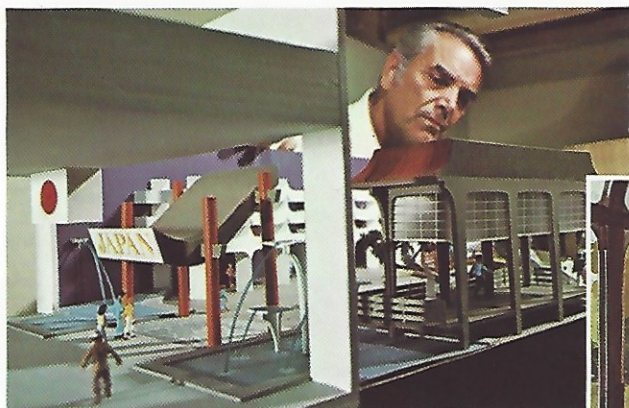
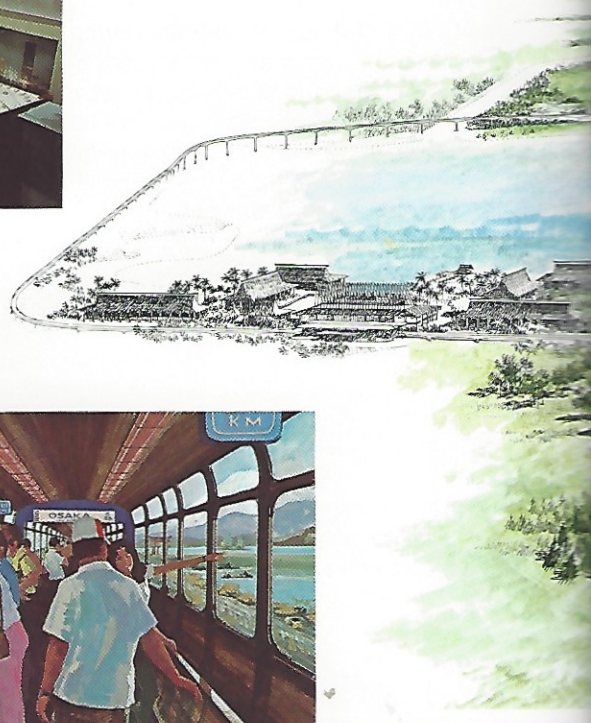
Pioneer Hall at Fort Wilderness.



LAKE BUENA VISTA: The "Village", a 110,000-square foot, regionally oriented restaurant and shopping complex, is now under construction adjacent to Motor Inn Plaza (above). The Lake Buena Vista Club (right) will be the focal point for a wide variety of recreational activities available to both residents and guests of this community.



INTERNATIONAL ATTRACTIONS:
WED technicians are now developing
models and renderings of "World
Showcase" attractions for presentation
to representatives of foreign govern-
ments, including France (right)
and Japan (below).



WED Enterprises

"There's really no secret about our approach. We keep moving forward, opening up new doors and doing new things, because we're curious... and curiosity keeps leading us down new paths. We're always exploring and experimenting. At WED, we call it "imagineering"—the blending of creative imagination with technical know-how."
WALT DISNEY

The words of Walt Disney, above, best describe the philosophy and creative atmosphere at WED Enterprises, the Disney master planning, architectural, engineering, research and development organization.

After more than 20 years' experience, during which the WED team master planned and developed Disneyland and Walt Disney World into the premiere recreational attractions they are today, this vital creative division of Walt Disney Productions has amassed a great wealth of knowledge in such diverse areas as transportation systems, environmental planning, communications, construction technology and "people handling". This expertise, as applied at Walt Disney World, has made the Company's Florida project an innovative model, which is studied by numerous professionals in engineering, environmental management and city planning each year.

The "imagineers" at WED, continually assessing the needs of our destination attractions, have already developed a wide variety of new entertainment and recreation concepts, which will be introduced by management as they are needed in the years immediately ahead. Therefore, the WED team has turned the main thrust of its

activities toward the further development of a complete master plan for the Company's Florida properties, a master plan which includes Walt Disney's concept for EPCOT—the Experimental Prototype Community of Tomorrow.

The Experimental Prototype Community of Tomorrow

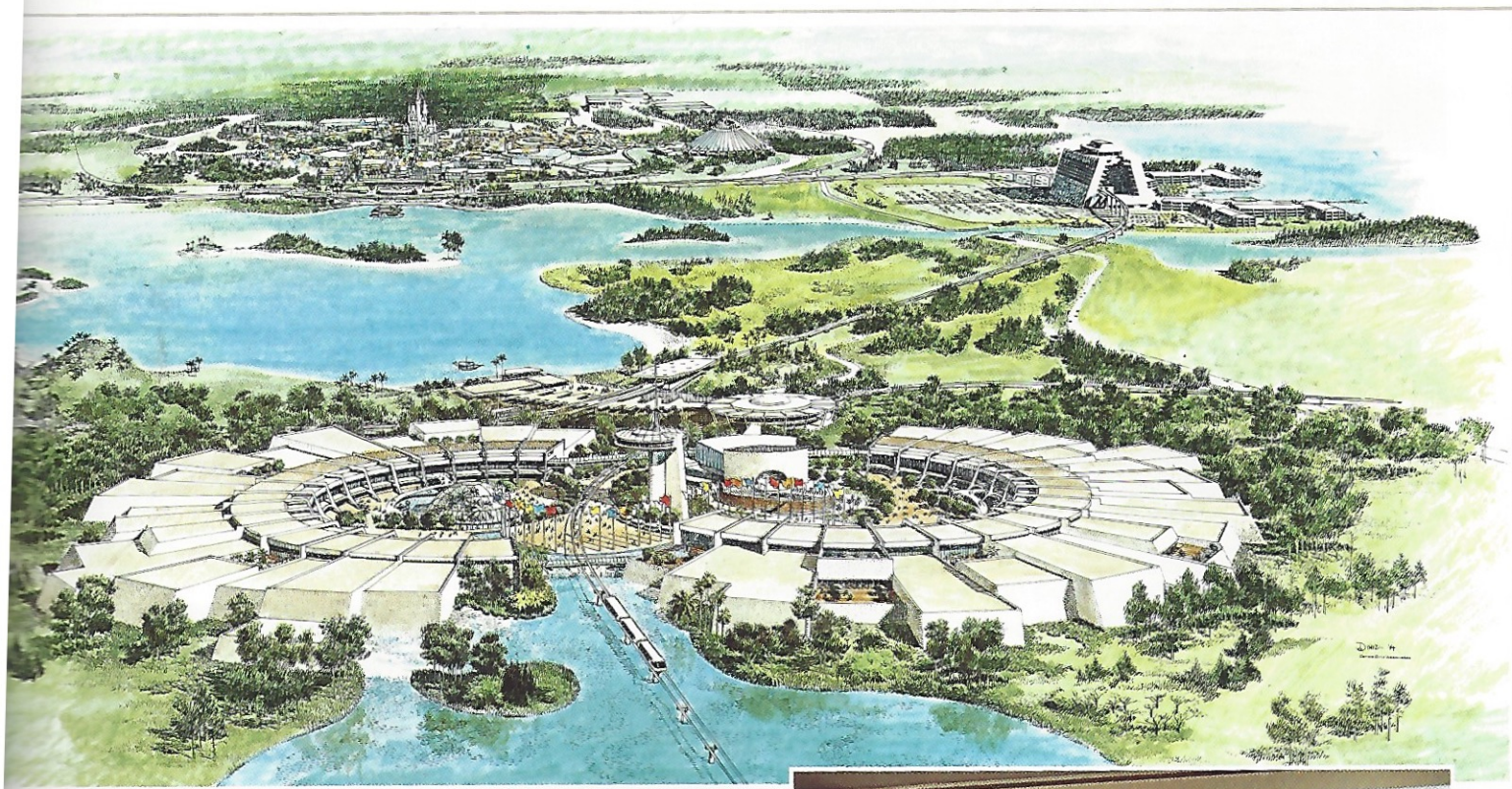
Walt Disney described EPCOT as "a community of tomorrow that will never be completed but will always be introducing and testing and demonstrating new materials and new systems".

From the outset of planning and through the design, construction and installation stages of Walt Disney World, EPCOT has been the ultimate goal, as evidenced by the innovative systems, devices, materials and construction techniques already in use there.

However, 1975 will mark the first period of concentrated planning and design for the "centers of activity" within EPCOT itself. Wide ranging discussions will be held with representatives of world governments, leading businessmen, engineers, scientists and artists, for only through their cooperation will the Company be able to bring this immense concept to life.

Implementing a master plan for the Company's total central Florida property, the second phase of the Walt Disney World project will include a series of EPCOT "satellites". Not necessarily a physical area or facility, a "satellite" may be defined as a function or activity that affects the quality of life, defines and develops new concepts to meet the needs of mankind, or helps to stimulate understanding between the peoples of the world.

Initial "satellite" projects under discussion by the WED planning team include centers for corporate training



and industrial research, energy and the environment, design and the arts, communications and the media, educational research, the sciences, experimental and prototype living environments, a health and medical data bank, a major computer center, and the "World Showcase".

"The World Showcase" The first major step in the evolution of EPCOT will be the "World Showcase", a permanent international showcase through which the nations of the world may creatively communicate their history, their culture and their commerce.

Encompassing an area nearly as large as the "Magic Kingdom" theme park, the "World Showcase" will feature continuing entertainment and exhibitions created by WED Enterprises for nations and leading companies around the world. Each will utilize a Disney-developed "people-moving" system to transport guests through attractions designed to offer a foretaste of an actual visit to that country. They will also function as international trade centers, promoting the products and services of each nation.

The "World Showcase" will not have the short-term outlook common to World's Fairs, on which millions of dollars have been spent to reach a limited audience for a limited period of time. Rather, the "World Showcase" will be a permanent facility, complementing the existing "Vacation Kingdom" and conveniently accessible to the more than ten million people who visit Walt Disney World each year. Nations will not find themselves competing with each other for the visitors' attention, since the WED team has conceived the complex as a coordinated series of attractions housed in two semi-circular and modular structures, in the center of which will be a "Courtyard of

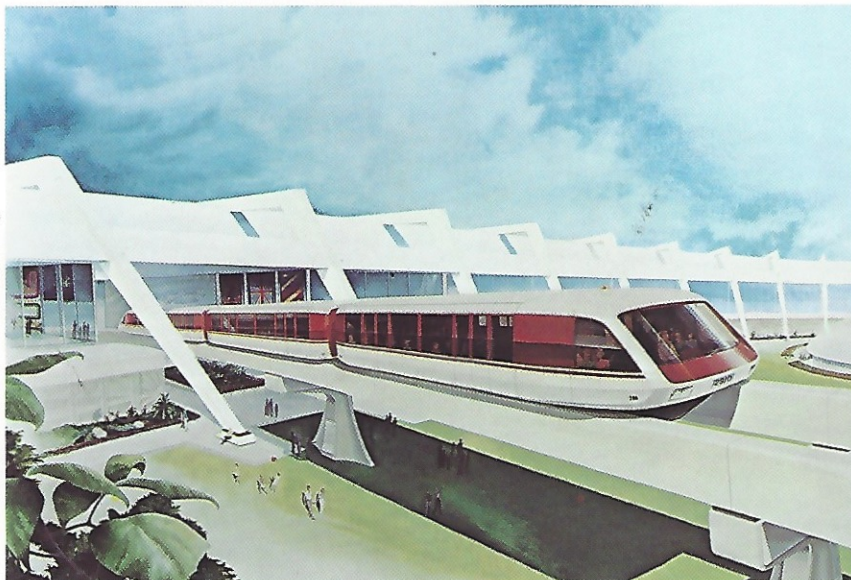


THE "WORLD SHOWCASE": Three key members of the WED creative team, Marty Sklar, Claude Coats and John Hensch, review a model of the "World Showcase", an important "satellite" center now being planned for the Experimental Prototype Community of Tomorrow. At the top of the page is a rendering showing how the "World Showcase" might relate to the existing Walt Disney World "Vacation Kingdom".

Nations", where cultural events will be staged and a major theater complex will be located.

The "World Showcase" will be financed through the participating nations and industries, and will make possible the development of an entirely new "center" for guest activity, so large in scope it will give visitors added reason to extend their stay at Walt Disney World.

It will provide an opportunity for young adults to come together from all over the world to staff the "World Showcase" and study in the "satellite" centers of EPCOT.



COMMUNITY TRANSPORTATION SERVICES: New intra-city "people-moving" concepts for EPCOT and other applications are now being developed at WED, where the linear motor is being tested (below) for installation at Walt Disney World during 1975.



The Community Transportation Services Division



Organized early in 1974, this new division brings to the field of community mass transportation more than 20 years of experience in efficient "people-moving" at Disneyland and Walt Disney World. In that time, Disney-designed and operated systems have carried visitors to our two theme parks more than 400 million passenger miles. In Florida, for example, the 10-train Mark IV monorail system has carried more than 60 million passengers approximately 1.5 million train-miles during only three years of operation.

The Community Transportation Services Division was formed to apply the Company's monorail and "WEDway PeopleMover" systems, and adaptations thereof, to the short-range, intra-city transportation needs of airports, shopping centers, communities, and other governmental and private projects. In addition to licensing Disney-developed systems for these applications, this new division will make available the expertise of the Disney transportation team for consulting work in the master planning and design of these systems, and the administration of their construction and installation.

Solving the intra-city rapid transit problems of our urban centers is one of the most pressing needs facing our cities today. The Disney organization is capable of making a major contribution to this effort.

THE "AUDIO-ANIMATRONICS" SYSTEM: This major contribution of WED Enterprises in the area of show development utilizes electronics and pneumatics to bring lifelike movement and sound to three-dimensional figures. Here, sculptor Blaine Gibson completes work on a bust of President Gerald R. Ford, the first step in the creation of a new "Audio-Animatronics" figure, which will soon take its place in the "Hall of Presidents" at Walt Disney World.





THEME PARK PLANNING: Since the inception of Disneyland, WED Enterprises has been responsible for master planning, creating, designing and fabricating all of the attractions at Disneyland and Walt Disney World. One of the first steps in the planning process is the creation of a scale model of the attraction to analyze its show aspects, as is being done with this model of a new Pinocchio "dark ride" under consideration for Disneyland.



The Independence Lake Project

In July, the Company began formally to study the feasibility of developing a year-round family recreational resort on private lands owned by Southern Pacific Land Company and Sierra Pacific Power Company in the Independence Lake-Mt. Lola region of Northern California.

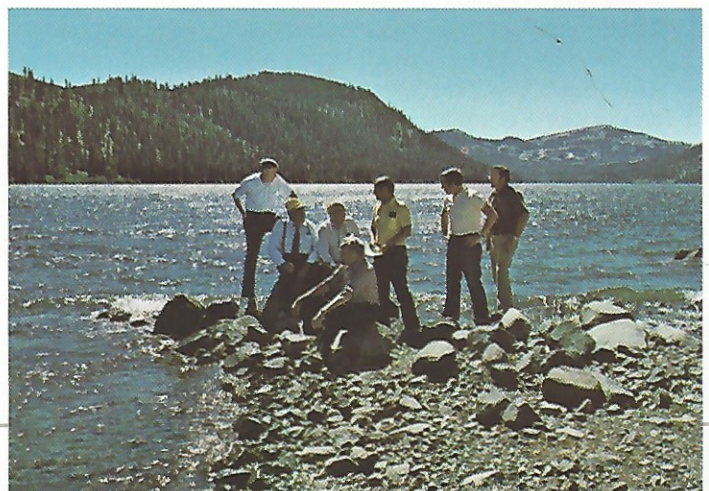
Preliminary findings indicate that the site, 13 miles north of Truckee, is ideally suited for a destination resort. The mountains surrounding Independence Lake offer a wide range of winter sports opportunities, with many slopes particularly suited for beginning and intermediate skiers, who comprise the vast majority of winter vacationing families. The lake itself, approximately 2½ miles long and formed by an earthen dam, contributes greatly to the natural beauty of the area, and brings yet another dimension to the project's winter and summer recreational potentials.

The site, north of Lake Tahoe and beyond the controversial Tahoe Basin, is easily accessible to both winter and summer visitors to that region.

The environmental analysis and feasibility study is being conducted by WED Enterprises, which would be responsible for master planning the project. During the study period, which should be concluded by summer, 1975, the three companies will negotiate a partnership agreement in which it is contemplated that the Walt Disney Outdoor Recreation Division would be the general and operating partner. Southern Pacific Land Company and the Lands of the Sierra subsidiary of Sierra Pacific Power Company, as the limited partners, would contribute 7,300 acres and 2,200 acres, respectively, although only a small fraction of these lands would actually be involved in the project.

Walt Disney Productions began a nationwide search for an appropriate site for an outdoor recreational project about two years ago, when it became evident that prolonged litigation between the federal government and the Sierra Club would prevent the development of Mineral King in the foreseeable future.

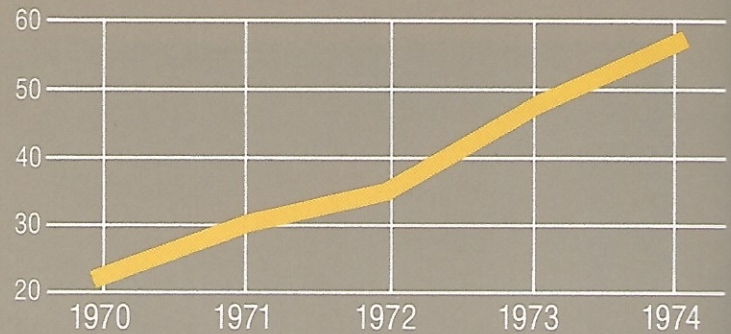
A number of additional problems have since arisen concerning the feasibility of the project, including an unresolved question as to whether the National Park Service has the authority to grant the necessary right-of-way for access to the project, and how the public access system itself would be financed. It is becoming increasingly unlikely that the Company will ever be able to achieve at Mineral King the conveniently accessible and moderately priced family recreation center Walt Disney originally envisioned.



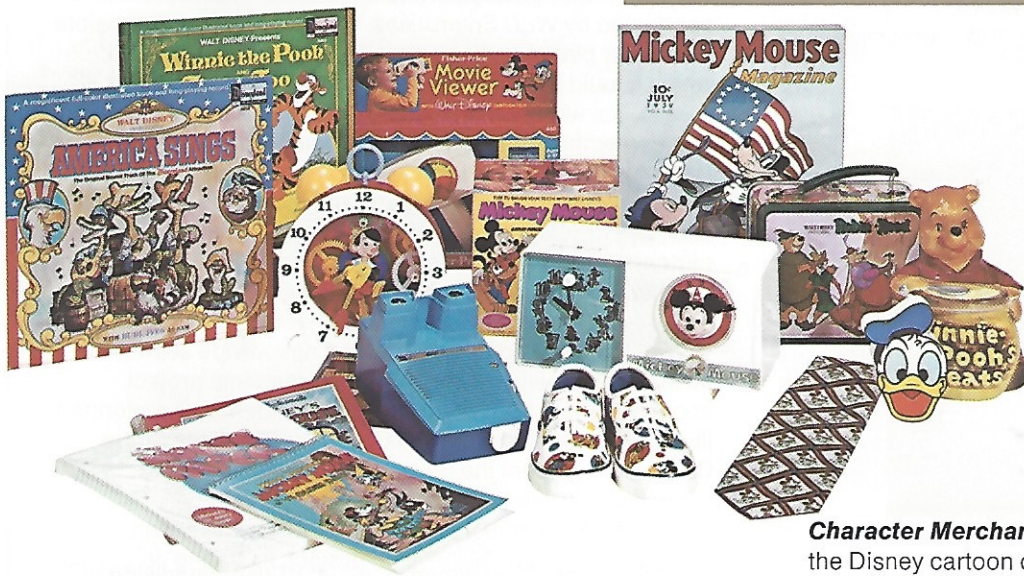
AT INDEPENDENCE LAKE: Four members of Disney's Conservation Advisory Committee—William E. Towell, Executive Vice President, the American Forestry Association; Dr. Ira N. Gabrielson, former President, the Wildlife Management Institute; Thomas L. Kimball, Executive Director, the National Wildlife Federation; and Bestor Robinson, former President, the Sierra Club—join project manager Robert Hicks, Peter Schneider of Southern Pacific Land Company, and Fred Harden, manager of Walt Disney World's Environmental Protection Department, to review the site of the Company's proposed year-round outdoor recreational project. (Not present was Horace M. Albright, former Director, the National Park Service).

Consumer Products and Services

Activity



Music and Records	\$ 6,966,000	\$ 8,517,000	\$10,846,000	\$13,655,000	\$15,233,000
Character Merchandising	3,879,000	5,872,000	9,360,000	13,035,000	15,128,000
Educational Media Co.	5,463,000	6,509,000	7,530,000	8,556,000	12,534,000
Publications	3,951,000	5,244,000	5,029,000	8,356,000	8,633,000
Other	1,500,000	3,147,000	2,491,000	3,790,000	5,546,000
Total	\$21,759,000	\$29,289,000	\$35,256,000	\$47,392,000	\$57,074,000



RECORDS AND CHARACTER MERCHANDISE: New products which will contribute to these important revenue-producing divisions during 1975.

Building upon an ever-growing library of classic Disney characters and a broadening worldwide acceptance for consumer products bearing the Disney name, these ancillary businesses, which include the Walt Disney Educational Media Company, have experienced a 162% increase in revenues since 1970.

Music and Records The leading revenue-producing category in the Consumer Products group, our music publishing and phonograph record businesses reported a 12% increase in revenues during fiscal 1974. The new sound track "story-teller" album from "Robin Hood" experienced strong sales, as did the entire catalog of Disney children's records. In fact, the Disneyland and Buena Vista labels are the largest selling line of children's records in the world, marketed in 30 countries and in 14 different languages. On a per capita basis, the greatest number of Disney records are sold in France.

The Direct Mail record marketing program enjoyed its best year to date, registering \$4,500,000 in gross sales, with an excellent reception for a 50th Anniversary package of eight classic "story-teller" albums.

Character Merchandising The Company both licenses the Disney cartoon characters for use by third parties, and contracts for the direct manufacture, import and wholesale distribution of such major lines of merchandise as plush toys, inflatables, decorative and personal gifts, and soft goods. Revenues from these activities increased 16% during the year.

In less than five years as a Disney licensee, Kennington, Ltd., has utilized the Disney characters to develop one of the most successful lines of men's sport shirts and T-shirts, women's shirts, halters and jerseys, and ski and tennis sweaters in the United States. Public response has been so great that more than 40 different Disney designs are now in the permanent Kennington collection, with new designs being added each year.

The Walt Disney Distributing Company, Disney's subsidiary for the direct manufacture and wholesale distribution of character merchandise, began a major expansion of its foreign operations during 1974, and is now represented in 17 countries.

The Educational Media Company Fiscal 1974 brought \$12,534,000 in revenues, an increase of 46%. The Company concentrates its efforts in three distinct markets—educational, home and rental. All three contributed to the substantial growth rate of the past year.



1975 AMBASSADORS: The newly-chosen Disneyland and Walt Disney World Ambassadors, Kathy Smith (top) and Suzy O'Hara (right), model Disney character shirts and jerseys from Kennington, Ltd.



PUBLICATIONS: Products from Western Publishing Company, Inc., a major licensee since 1933.

In a competitive market of more than 300 such companies, the Walt Disney Educational Media Company now ranks among the top ten producers and distributors of educational films, filmstrips, records, study prints, 8mm single concept loops and other audio-visual teaching aids. 95 new products were added to the WDEMCO catalog during the year, reflecting an acceleration of both marketing and product development activities.

The Company is also responsible for the direct distribution of both silent and sound super 8mm home movies, all excerpted from Disney theatrical and television films. During 1974, the 8mm division initiated a distribution agreement with the Walt Disney Music Company whereby these films are being marketed as home entertainment items and sold in department stores, toy stores, and other retail merchandise outlets.

The worldwide non-theatrical rental of Walt Disney 16mm entertainment features, featurettes and cartoons has been a mainstay of WDEMCO's responsibilities.

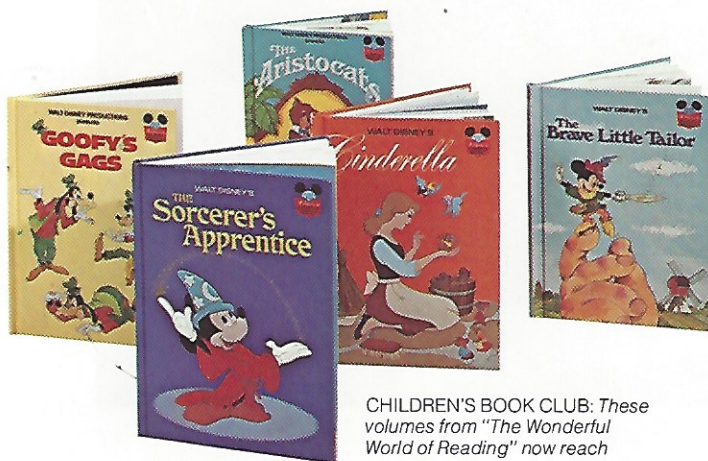
In each of its three businesses, the international division also had its best year in 1974, with new dealer arrangements being established in Hong Kong, Brazil, Spain, Japan, Mexico and Venezuela.

Publications It is estimated that in excess of \$160,000,000 in worldwide retail sales were generated by publications

either licensed or produced by Walt Disney Productions during 1974. The cornerstone of this far-flung worldwide publications program is Western Publishing Company, Inc., which has been a Disney licensee since 1933. Since 1971, Western has introduced 728 new Disney products, including picture and storybooks, and activity products like coloring books, sticker fun and punch outs. More than 55,000,000 Disney items were distributed to the marketplace by Western in 1974, with royalties to Disney exceeding \$1,000,000.

"The Art of Walt Disney—from Mickey Mouse to the Magic Kingdoms", a deluxe 458-page tribute to Walt Disney and the artistic accomplishments of his organization, has become a milestone in publishing history. Introduced by the renowned publishers of art books, Harry N. Abrams, Inc., in October, 1973, the book was offered at a suggested retail price of \$45, and has now sold in excess of 230,000 copies. It has been direct marketed by the Literary Guild, the Book-of-the-Month Club and Time-Life. In 1975, Abrams will introduce a soft-cover edition retailing at \$7.95, with an initial printing of 500,000 copies. Foreign language editions are now being negotiated.

"Walt Disney's Wonderful World of Reading", a children's book club published by Random House, Inc., with direct mail marketing and management handled by Grolier Enterprises, Inc., now has approximately 750,000 members.



CHILDREN'S BOOK CLUB: These volumes from "The Wonderful World of Reading" now reach 750,000 beginning readers.

Under this concept, beginning readers receive one children's book each month. Calling upon the strength and appeal of the Disney characters in newly-written stories, the series is designed to stimulate young children to begin reading on their own. Based upon initial tests, the series will be introduced in Germany, France, the United Kingdom and Scandinavia during 1975.

"The Wonderful World of Knowledge", a 20-volume set of educational children's books, also marketed by direct mail, has achieved more than \$25,000,000 in United States retail sales during the past two years. The series has also become one of the most successful direct marketed projects in the history of the United Kingdom.

Disney publications have also performed spectacularly in Europe. In Italy, for example, "Topolino", the Mickey Mouse magazine published by Mondadori, sells approximately 1,000,000 copies per week. In the four Scandinavian countries, where the total population is only 22,000,000, a Donald Duck magazine published by Gutenberghus also sells about 1,000,000 copies per week.



COMIC BOOKS: 1,000,000 copies of these Disney comics are sold in the Scandinavian countries and in Italy each week.

Board of Directors

Photo: Susie Tracy, Business Week



E. CARDON WALKER*
President and
Chief Operating
Officer

DONN B. TATUM
Chairman of the Board
and Chief Executive
Officer



S. CLARK BEISE
President (Retired)
Bank of America

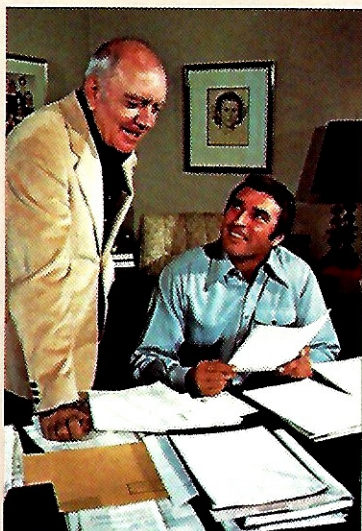
RICHARD T. MORROW
Vice President
General Counsel



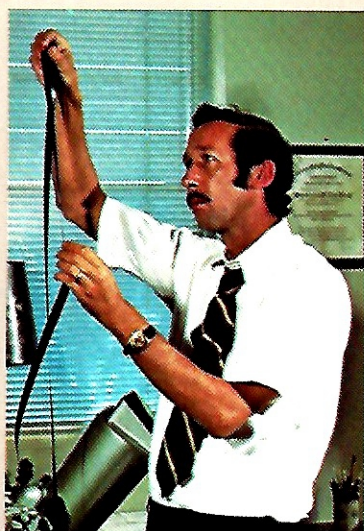
GEORGE L. BAGNALL**
President
Motion Picture &
Television Fund

**GORDON
E. YOUNGMAN**
Senior Partner
Youngman,
Hungate
and Leopold

(Mr. Bagnall and Mr. Youngman were photographed while touring the Country House operated by the Motion Picture & Television Fund, of which Mr. Bagnall has been President since 1957).



WILLIAM H. ANDERSON
Vice President
Production
and Studio
Operations



RONALD W. MILLER*
Vice President
Executive Producer



ROY E. DISNEY*
Vice President
16mm Production



HON. SHIRLEY TEMPLE BLACK
United States Ambassador
to Ghana



RAYMOND L. WATSON
President
The Irvine Company

FINANCIAL HIGHLIGHTS

WALT DISNEY PRODUCTIONS

	1974	1973
Revenues	\$429,889,000	\$385,065,000
Income before taxes on income . .	\$ 88,528,000	\$ 85,168,000
Taxes on income	\$ 40,200,000	\$ 37,400,000
Net income	\$ 48,328,000	\$ 47,768,000
Per share	\$1.66	\$1.64
Capital expenditures	\$ 67,241,000	\$ 85,752,000
Total assets	\$742,616,000	\$678,807,000
Long term liabilities	\$ 60,801,000	\$ 44,407,000
Stockholders equity	\$552,478,000	\$506,446,000
Per common share outstanding		
at year end	\$18.94	\$17.72
Common shares outstanding . . .	29,171,924	28,583,779
Number of stockholders	55,000	49,000
Number of full-time employees . .	14,000	14,500

*Member Executive Committee
**Director Emeritus

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's principal business is the production and distribution of theatrical and television films and the operation of two amusement theme parks, "Disneyland," California, and "Walt Disney World," Florida, which are referred to as entertainment and recreational activities. In addition, the Company has operations including music and records, character merchandising and publication licensing and manufacture, educational media materials and a sports center complex. To more fully inform the reader, the following summary of the Company's significant accounting policies is presented as an integral part of the financial statements.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its domestic and foreign subsidiaries, all wholly owned. The Company's investments in joint ventures are recorded at equity in their underlying net assets and are included in other assets.

The accounts of foreign subsidiaries have been translated into U.S. dollars at appropriate rates of exchange and the resulting net unrealized gain, which is minor, has been deferred.

INVENTORIES

Inventories are stated at the lower of cost or market. Costs of merchandise, material and supply inventories are generally determined on the moving average and first-in, first-out bases.

FILM DISTRIBUTION AND AMORTIZATION

Recently issued accounting guidelines required that certain changes be made in accounting methods and policies used in accounting for films released or completed subsequent to September 30, 1973. Pursuant to such policies, costs of completed theatrical and television film productions (negatives), together with applicable capitalized exploitation costs, are amortized by charges to income in the proportion that the producer's share of gross revenue received by the Company during the period for such production bears to the estimated total gross revenue to be received from all sources. Estimates of total gross revenue are reviewed periodically and amortization is adjusted accordingly. As a result of adopting such guidelines, net income for the year ended September 30, 1974 increased by approximately four cents per share. The Company does not believe that these guidelines are necessarily an improvement over the Company's previous reporting practices.

In prior years, costs of completed theatrical and television film productions were amortized by charges to income in the proportion that the producer's share of income (film rentals less distribution, print, co-

producer participation and advertising costs) received by the Company for each production related to the estimated total of such income to be received.

ENTERTAINMENT ATTRACTIONS, FACILITIES AND OTHER DEPRECIABLE ASSETS

The Company classifies the costs of its two amusement theme parks (rides, attractions, exhibits, shops), recreational facilities (lake, lagoon, golf courses), theme resort hotels and direct support properties including buildings (warehouses, maintenance shops, administration), transportation systems and roads as entertainment attractions and facilities. Other buildings and equipment consist of properties at the Burbank studio and other properties not directly related to entertainment and recreational activities.

Depreciation is provided principally on the straight line method using estimated service lives ranging from 4 to 50 years. Depreciation and maintenance and repairs are charged either directly to costs and expenses as incurred or to film production costs which are then amortized against income; major replacements and betterments are capitalized. The cost and related accumulated depreciation of property sold or retired are removed from the accounts and any resulting gain or loss is recorded in income.

PREOPENING COSTS

Deferred preopening costs and expenses relating to Walt Disney World are being amortized over five years, commencing October 1971.

TAXES ON INCOME

Deferred taxes on income represent deferred investment tax credits and taxes which will not become payable until future years due principally to differences between financial and tax reporting of depreciation and amortization of preopening costs. Investment tax credits, accounted for by the deferral method, are amortized as a reduction of the provision for taxes on income over the average service lives of the related assets.

STOCK OPTIONS

Proceeds from the sale of common stock issued under stock option plans are accounted for as capital transactions and no charges or credits are made to income in connection with the plans.

EARNINGS PER SHARE

Earnings per share are computed on the basis of the average number of shares outstanding during each year, retroactively adjusted to give effect to all stock splits and stock dividends. It is assumed that all dilutive stock options are exercised at the beginning of each year and that the proceeds are used to purchase shares of the Company's common stock at the average market price during the year.

CONSOLIDATED STATEMENT OF INCOME

	Year Ended September 30	
	1974	1973*
REVENUES		
Entertainment and recreational activities	\$282,425,000	\$261,514,000
Film rentals	90,390,000	76,159,000
Music and records, character merchandising, educational media, publications and other	57,074,000	47,392,000
Total revenues	429,889,000	385,065,000
COSTS AND EXPENSES		
Entertainment and recreational activities	237,663,000	211,883,000
Film rentals	44,579,000	40,163,000
Music and records, character merchandising, educational media, publications and other	35,331,000	27,789,000
General and administrative	16,079,000	15,224,000
Interest (note 4)	7,709,000	4,838,000
Total costs and expenses	341,361,000	299,897,000
INCOME BEFORE TAXES ON INCOME	88,528,000	85,168,000
Taxes on income (note 3)	40,200,000	37,400,000
NET INCOME	\$ 48,328,000	\$ 47,768,000
EARNINGS PER SHARE	\$1.66	\$1.64

*Reclassified for comparative purposes.
See notes to consolidated financial statements and summary of significant accounting policies.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Walt Disney Productions.

We have examined the consolidated balance sheet of Walt Disney Productions and its subsidiaries as of September 30, 1974 and 1973 and the related consolidated statements of income, stockholders equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in the Summary of Significant Accounting Policies, the Company changed its method of accounting for films released or completed subsequent to September 30, 1973 as required by recently issued accounting guidelines for motion picture films.

In our opinion, the accompanying consolidated financial statements examined by us present fairly the financial position of Walt Disney Productions and its subsidiaries at September 30, 1974 and 1973 and the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period except for the change, with which we concur, referred to in the preceding paragraph.

Los Angeles, California
November 18, 1974

Price Waterhouse & Co.

CONSOLIDATED BALANCE SHEET

September 30

ASSETS

CURRENT ASSETS

Cash and short term investments (note 4)	\$ 16,244,000	\$ 9,564,000
Accounts receivable, less allowances	20,805,000	15,920,000
Inventories		
Film production costs (note 1)	23,445,000	20,367,000
Merchandise, materials and supplies	23,392,000	17,957,000
Prepaid expenses	7,397,000	5,286,000
Total current assets	<u>91,283,000</u>	<u>69,094,000</u>

FILM PRODUCTION COSTS—NON-CURRENT (note 1)	27,559,000	22,403,000
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ENTERTAINMENT ATTRACTIONS AND FACILITIES, at cost	604,800,000	552,447,000
Less accumulated depreciation	<u>(124,170,000)</u>	<u>(98,700,000)</u>
	480,630,000	453,747,000

OTHER BUILDINGS AND EQUIPMENT, at cost	63,024,000	52,847,000
Less accumulated depreciation	<u>(16,826,000)</u>	<u>(14,325,000)</u>
	46,198,000	38,522,000

CONSTRUCTION IN PROGRESS, at cost	68,292,000	65,220,000
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LAND, at cost	16,507,000	16,498,000
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OTHER ASSETS (note 2)	12,147,000	13,323,000
	<u>\$742,616,000</u>	<u>\$678,807,000</u>

See notes to consolidated financial statements and summary of significant accounting policies.

Walt Disney Productions and Subsidiaries

September 30

LIABILITIES AND STOCKHOLDERS EQUITY

CURRENT LIABILITIES

	1974	1973
Notes payable to banks (note 4)	\$	\$ 12,000,000
Accounts payable	24,671,000	21,094,000
Payroll and employee benefits	10,835,000	8,565,000
Property, payroll and other taxes	3,616,000	4,343,000
Taxes on income (note 3)	18,491,000	21,462,000
Total current liabilities	57,613,000	67,464,000

LONG TERM LIABILITIES

Notes payable to banks (note 4)	55,000,000	39,000,000
Other	5,801,000	5,407,000
	60,801,000	44,407,000

UNEARNED DEPOSITS AND RENTALS	8,580,000	9,319,000
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DEFERRED TAXES ON INCOME AND INVESTMENT CREDITS (note 3)	63,144,000	51,171,000
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COMMITMENTS (note 7)

STOCKHOLDERS EQUITY (notes 4 and 6)

Preferred shares, \$20 par value		
Authorized—5,000,000 shares; none issued		
Common shares, \$1.25 par value		
Authorized—75,000,000 shares		
Issued and outstanding—29,171,924 and 28,583,779 shares	36,465,000	35,730,000
Capital in excess of par value	373,312,000	337,408,000
Accumulated earnings	142,701,000	133,308,000
	552,478,000	506,446,000
	\$742,616,000	\$678,807,000

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

	Common Shares Number	Common Shares Par Value	Capital In Excess of Par Value	Accumulated Earnings
Balance at September 30, 1972 as restated				
for stock split (note 6)	28,547,610	\$35,685,000	\$335,965,000	\$ 88,969,000
Exercise of stock options (note 6)	36,169	45,000	743,000	
Income tax benefit from sale of option shares by employees			700,000	
Dividends				
Cash (12¢ per share)				(3,429,000)
Net income for the year				47,768,000
Balance at September 30, 1973	28,583,779	35,730,000	337,408,000	133,308,000
Exercise of stock options (note 6)	16,432	20,000	308,000	
Income tax benefit from sale of option shares by employees			859,000	
Dividends				
Cash (12¢ per share)				(3,483,000)
Stock (2%)	571,713	715,000	34,737,000	(35,452,000)
Net income for the year				48,328,000
Balance at September 30, 1974	29,171,924	\$36,465,000	\$373,312,000	\$142,701,000

See notes to consolidated financial statements and summary of significant accounting policies.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended September 30

FINANCIAL RESOURCES WERE PROVIDED BY:

Operations

Net income	\$ 48,328,000	\$ 47,768,000
Expenses not affecting working capital		
Depreciation	29,601,000	26,553,000
Amortization of preopening costs	2,429,000	2,429,000
Amortization of film production costs, non-current	2,761,000	3,932,000
Deferred taxes on income and investment credits	11,973,000	16,453,000
Working capital provided from operations	95,092,000	97,135,000
Increase in long term liabilities		
Bank borrowing	36,000,000	
Other	970,000	3,425,000
Proceeds from exercise of stock options and tax benefits	1,187,000	1,488,000
Increase in unearned deposits and rentals		929,000
	<u>133,249,000</u>	<u>102,977,000</u>

FINANCIAL RESOURCES WERE USED FOR:

Additions to entertainment attractions, facilities, and other depreciable assets and construction in progress, principally Walt Disney World	67,241,000	85,752,000
Additions to non-current film production costs	22,220,000	19,949,000
Less transfer to current film production costs	(14,303,000)	(16,038,000)
Reduction of long term liabilities		
Bank borrowing	20,000,000	12,000,000
Other	576,000	576,000
Cash dividends	3,483,000	3,429,000
Decrease in unearned deposits and rentals	739,000	
Other	1,253,000	2,116,000
	<u>101,209,000</u>	<u>107,784,000</u>

INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ 32,040,000</u>	<u>\$ (4,807,000)</u>
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INCREASE (DECREASE) IN COMPONENTS OF WORKING CAPITAL:

Cash and short term investments	\$ 6,680,000	\$ (2,744,000)
Accounts receivable	4,885,000	1,100,000
Inventories	8,513,000	10,834,000
Prepaid expenses	2,111,000	1,417,000
Notes payable to bank	12,000,000	(3,000,000)
Accounts payable	(3,577,000)	(4,607,000)
Payroll and employee benefits	(2,270,000)	(1,491,000)
Property, payroll and other taxes	727,000	(85,000)
Taxes on income	2,971,000	(6,231,000)
	<u>\$ 32,040,000</u>	<u>\$ (4,807,000)</u>

*Reclassified for comparative purposes.
See notes to consolidated financial statements and summary of significant accounting policies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

INVENTORIES—FILM PRODUCTION COSTS:

Inventories of theatrical and television film productions consist of the following components:

	1974	1973
Released, less amortization	\$20,678,000	\$14,362,000
Completed, not yet released	6,377,000	10,561,000
In process	23,949,000	17,847,000
	<u>51,004,000</u>	<u>42,770,000</u>
Less: Non-current film production costs	<u>27,559,000</u>	<u>22,403,000</u>
Current film production costs	<u>\$23,445,000</u>	<u>\$20,367,000</u>

NOTE 2

OTHER ASSETS:

At September 30, 1974 other assets include un-amortized deferred preopening costs of \$5,426,000 (\$7,855,000—1973) and the Company's majority interest in a joint venture with a subsidiary of United Telecommunications, Inc. of \$4,758,000 (\$3,241,000—1973) which approximates its underlying equity.

NOTE 3

TAXES ON INCOME:

The provision for taxes is composed of the following:

	1974	1973
Current—Federal	\$23,333,000	\$16,265,000
—State	2,445,000	2,144,000
—Foreign	2,449,000	2,538,000
Deferred—Federal	13,454,000	17,929,000
—State	820,000	1,040,000
—Investment credits amortized	<u>(2,301,000)</u>	<u>(2,516,000)</u>
	<u>\$40,200,000</u>	<u>\$37,400,000</u>

The significant components of deferred taxes on income included in the provision for taxes on income were as follows:

	1974
Excess of tax over book depreciation and amortization	\$12,224,000
Investment credit claimed for tax purposes in excess of amortization under deferral method for financial reporting purposes	946,000
Excess of book over tax amortization of preopening costs deferred for financial reporting purposes	(1,209,000)
Other	12,000
Total provision for deferred taxes on income	<u>\$11,973,000</u>

The difference between the U.S. federal income tax rate of 48% and the Company's effective income tax rate is explained below:

	1974
Federal income tax rate	48.0%
State income taxes, net of federal income tax benefit	1.9
Reduction in taxes resulting from:	
Investment tax credits	(2.6)
Tax benefit from domestic international sales corporation	(1.5)
Other	(.4)
Effective income tax rate	<u>45.4%</u>

Investment tax credits under the Revenue Act of 1971 amounting to \$13,447,000 at September 30, 1974 (\$12,501,000—1973) related to qualifying asset additions (including theatrical and television film productions) are deferred.

The Company also has substantial claims on file for investment tax credits on theatrical and television film productions under the Revenue Act of 1962, which are currently the subject of litigation. The United States Court of Appeals for the Ninth Circuit on May 29, 1973 upheld a judgment in favor of the Company rendered by the United States District Court. On February 19, 1974 the United States Supreme Court denied the government's petition for review and the judgment is now final. The judgment involves the Company's claim for a refund with respect to its income tax return for fiscal year 1962 amounting to approximately \$100,000 plus interest. In addition, the Company received a favorable decision by the United States District Court on July 11, 1974 in a suit claiming tax refunds aggregating approximately \$6,600,000, exclusive of interest, with respect to films placed in service during fiscal years 1963 through 1969. On September 6, 1974 the government filed a notice of appeal with respect to this decision. In December 1973, the Company filed a claim for a tax refund for fiscal year 1970 of approximately \$970,000, exclusive of interest and subsequently filed a suit in the United States District Court in support of that claim. These claims will not be reflected in the Company's accounts until collection is assured.

NOTE 4

NOTES PAYABLE TO BANKS:

	September 30, 1974	
	Available	Outstanding
Revolving loan	\$25,000,000	
Term loan	\$65,000,000	\$55,000,000

In March 1974 the Company modified its banking arrangements to provide for an unsecured revolving term loan of \$75,000,000 and a revolving unsecured short term loan of \$25,000,000. The term loan is repayable in annual installments of \$10,000,000 in fiscal years 1975 to 1980 and \$15,000,000 in 1981. The fiscal year 1975 payment was prepaid. Interest is payable quarterly ranging from prime to ½ % above prime. The term loan agreement contains certain provisions with respect to cash dividends, maintenance of net worth and future indebtedness. At September 30, 1974 approximately \$103,000,000 of accumulated earnings is free of restrictions. Pursuant to a supplementary letter agreement with the lending bank, the Company maintains on deposit with the bank compensating balances equal to 15% of the average outstanding borrowings and 10% of the average unused portion of the revolving line.

At September 30, 1974 approximately \$11,350,000 of the cash balance shown in the balance sheet represented a compensating balance after adjusting for differences of "float" between the balance shown by the books of the Company and records of the bank. The float (unpresented checks less deposits in transit) amounted to approximately \$4,000,000.

NOTE 5

PENSION PLANS:

The Company contributes to various domestic trustee pension plans under union and industry-wide agreements. Contributions are based on the hours worked by or gross wages paid to covered employees. The Company has no past service liability under these plans.

The Company has a pension plan covering substantially all of its domestic employees not covered by union or industry pension plans. The plan is funded by Company and employee payments to a trust administered by a bank. During 1972 the Company established a non-qualified and unfunded key employee retirement plan providing for Company and domestic employee contributions.

The aggregate cost of all these plans was \$2,613,000 and \$2,563,000 for fiscal years 1974 and 1973, respectively, including amortization of actuarially computed prior service costs, where applicable, over periods ranging to thirty-eight years.

NOTE 6

STOCKHOLDERS EQUITY:

In January 1973 a two-for-one stock split effected by a 100% stock dividend resulted in the issuance of 14,276,173 common shares and a transfer of \$17,845,000 from capital in excess of par value to capital stock.

A 2% stock dividend was issued to stockholders of record on December 3, 1973, resulting in a \$35,452,000 transfer from accumulated earnings to invested capital.

Under the Company's 1967 and 1973 stock option plans, options are granted to key executive, management and creative personnel at prices equal to market value at date of grant. Transactions under the plans during fiscal year 1974 were as follows:

	Number of Shares	
	Options Granted	Available for Grant
Outstanding September 30, 1973		
(\$16.72 to \$95.10 per share)	240,310	600,615
Added for 2% stock dividend		
December 3, 1973	4,752	12,030
Cancelled	(23,629)	23,629
Granted (\$41.56 and \$45.69 per share)	382,350	(382,350)
Exercised (\$16.72 to \$49.98 per share)	(16,432)	
Outstanding September 30, 1974		
(\$21.62 to \$95.10 per share)	<u>587,351</u>	<u>253,924</u>

Options are exercisable beginning not less than one year after date of grant. Qualified options expire five years after date of grant and non-qualified options expire ten years after date of grant. At September 30, 1974, 13,860 shares granted under the 1967 plan were exercisable at \$21.62 to \$95.10 per share and 48,387 shares granted under the 1973 plan were exercisable at \$82.60 to \$88.78 per share.

NOTE 7

COMMITMENTS:

Pursuant to an agreement for the use of the name of Walt Disney, Retlaw Enterprises, Inc. (a company owned by the family of the late Walter E. Disney) received royalty payments of approximately \$1,734,000 and \$1,175,000 from the Company for fiscal years 1974 and 1973, respectively; in accordance with such name agreement, the payments in fiscal year 1974 included \$415,000 (\$11,000 in 1973) as a participation by Retlaw of 5% in the profits, as defined in that agreement, of Walt Disney World Phase 1 operations.

TEN YEAR REVIEW

(in thousands except
amounts per share)

FISCAL YEARS ENDED

1974

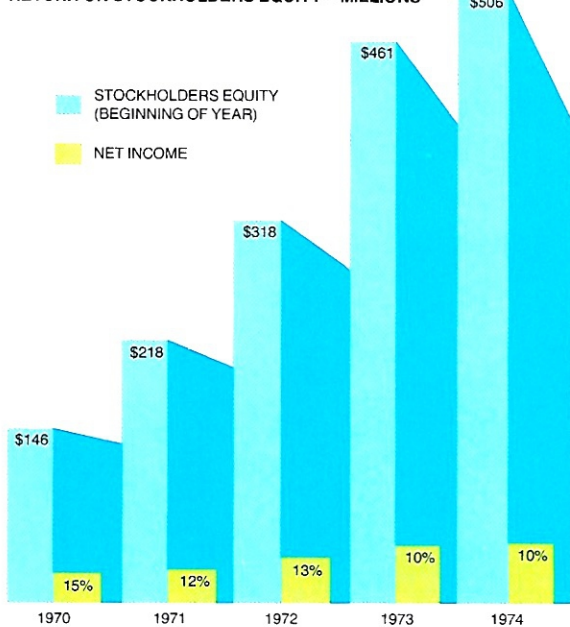
OPERATIONS

Revenues	429,889
Income before taxes on income	88,528
Taxes on income	40,200
Net income	48,328
Working capital provided by operations	95,092
Cash dividends	3,483
Stock dividends	2%
Retained in business	44,845
Depreciation and amortization	32,030
Net income	
Percent of revenues	11.2%
Percent of stockholders equity (beginning of year)	9.5%
Per share	1.66
Cash dividends per share	
(on shares outstanding during the year)12

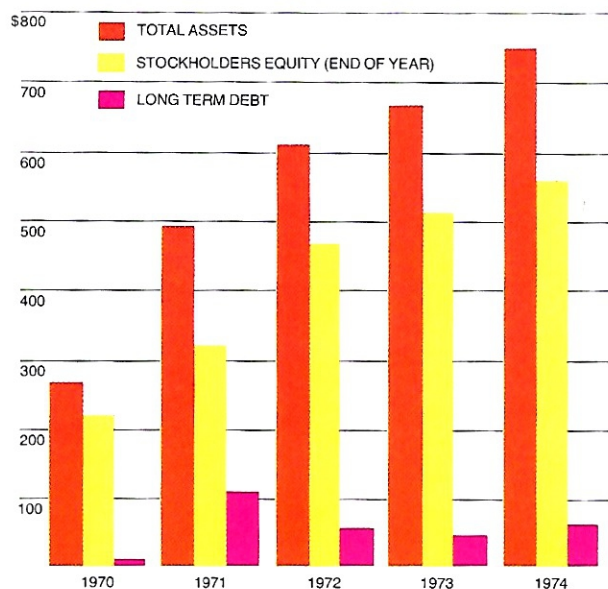
YEAR END FINANCIAL POSITION

Current assets	91,283
Working capital	33,670
Entertainment attractions and facilities	604,800
Other buildings and equipment	63,024
Construction in progress	68,292
Accumulated depreciation	140,996
Total assets	742,616
Stockholders equity	552,478
Per share	18.94
Average number of common and common equivalent shares outstanding during the year	29,171

RETURN ON STOCKHOLDERS EQUITY—MILLIONS

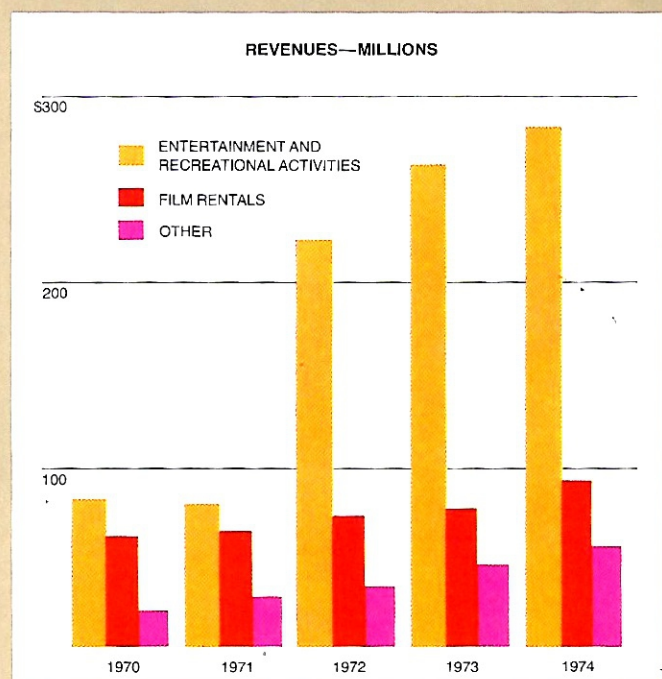
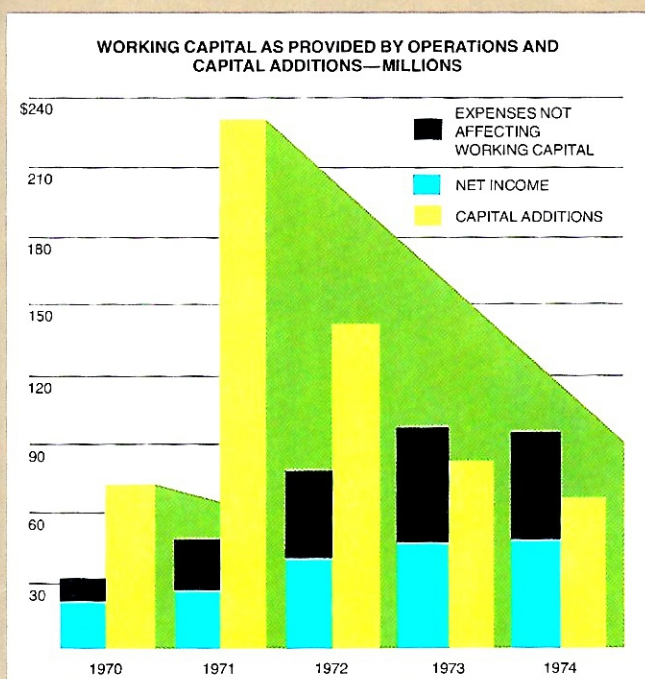


TOTAL ASSETS, STOCKHOLDERS EQUITY AND
LONG TERM DEBT—MILLIONS



1973	1972	1971	1970	1969	1968	1967	1966	1965
385,065	329,437	175,611	167,103	148,367	137,146	117,486	116,543	109,947
85,168	74,393	48,521	43,709	32,504	26,545	20,334	23,463	22,256
37,400	34,100	21,800	21,950	16,700	13,440	9,067	11,071	10,877
47,768	40,293	26,721	21,759	15,804	13,106	11,267	12,392	11,379
97,135	79,314	49,205	31,239	24,508	21,655	19,271	18,517	18,852
3,429	2,756	2,361	1,664	1,308	1,261	812	771	737
	2%	2%	2%	2%	3%	3%	3%	3%
44,339	37,537	24,360	20,095	14,496	11,845	10,455	11,621	10,642
28,982	26,754	7,833	7,880	7,404	6,849	7,854	5,800	7,474
12.4%	12.3%	15.2%	13.0%	10.7%	9.6%	9.6%	10.6%	10.3%
10.4%	12.7%	12.3%	14.9%	17.5%	17.0%	17.2%	23.3%	27.4%
1.64	1.42	1.00	.90	.79	.67	.59	.67	.63
.12	.10	.09%	.07½	.07½	.07½	.05	.05	.05

69,094	58,487	76,475	75,632	111,465	65,107	30,117	21,294	28,276
1,630	6,437	30,486	39,501	79,744	40,076	8,099	115	6,349
552,447	519,740	361,199	98,466	96,599	88,366	84,046	62,661	50,274
52,847	41,001	35,523	12,918	12,587	11,565	10,742	10,326	9,351
65,220	24,831	46,444	106,271	36,277	13,438	1,173	151	
113,025	87,278	63,220	55,317	48,199	41,554	35,518	28,687	31,228
678,807	609,335	497,315	267,626	238,174	165,038	118,628	98,466	88,154
506,446	460,619	318,464	218,116	146,205	90,308	77,210	65,573	53,125
17.36	16.22	11.88	9.00	7.32	4.59	4.07	3.56	2.93
29,174	28,393	26,812	24,233	19,963	19,684	18,956	18,444	18,132



PARENT COMPANY

WALT DISNEY PRODUCTIONS
500 So. Buena Vista Street, Burbank, California
Produces motion pictures for theatrical and television distribution—operates Disneyland Park—operates Celebrity Sports Center—conducts ancillary activities.

PRINCIPAL SUBSIDIARIES

BUENA VISTA DISTRIBUTION CO., INC.
Irving H. Ludwig—President
Distributes, syndicates and sells domestically the product of Walt Disney Productions, including 35mm theatrical film, television shows and records and albums.

BUENA VISTA INTERNATIONAL, INC.
Harold P. Archinal—President
Supervises the distribution of Walt Disney Productions 35mm theatrical film, 16mm film and television shows in foreign countries except the Western Hemisphere.

CANASA TRADING CORPORATION
Harold P. Archinal—President
Western Hemisphere trading corporation.

WALT DISNEY MUSIC COMPANY
James A. Johnson—President
Music publishing—ASCAP affiliate.

WONDERLAND MUSIC COMPANY, INC.
James A. Johnson—President
Music publishing—BMI affiliate.

WALT DISNEY EDUCATIONAL MEDIA COMPANY
James P. Jimirro—Executive Vice President
Distributor—16mm film, audio-visual educational materials and 8mm home movies.

WALT DISNEY WORLD CO.
Donn B. Tatum—Chairman, Board of Directors
E. Cardon Walker—President
Richard A. Nunis—Executive Vice President
Robert C. Allen—Vice President—Resorts
James P. Armstrong—Vice President—Food Division
Carl G. Bongiorno—Vice President and Treasurer
Edward B. Crowell—Vice President—Facilities Division
Robert F. Jani—Vice President—Entertainment
Jack B. Lindquist—Vice President—Marketing
Robert K. Matheison—Vice President—Operations Division
Jack W. Olsen—Vice President—Merchandising
James P. Passilla—Vice President—Employee Relations
Philip N. Smith—Vice President—Legal and Secretary
Luther R. Marr—Assistant Secretary
Donald A. Escen—Assistant Treasurer
James A. McManus—Assistant Treasurer
Operates Walt Disney World.

WALT DISNEY TRAVEL CO., INC.
Jack B. Lindquist—President
Markets wholesale and retail tour packages.

LAKE BUENA VISTA COMMUNITIES, INC.
E. Cardon Walker—President
Real estate development.

VISTA COMMUNICATIONS, INC.
(a partner in Vista-Florida Telephone System)
Telephone and related communications services.

This report is distributed for the information of stockholders and employees of the Company. It is not to be considered either as a prospectus or circular in connection with the purchase and/or sale of securities nor is it to be considered a part of the proxy soliciting material of the Company for the annual meeting of its stockholders.

CORPORATE OFFICERS

Donn B. Tatum
Chairman of the Board
E. Cardon Walker
President
William H. Anderson
Vice President—Production and Studio Operations
Michael L. Bagnall
Vice President—Finance
Ronald J. Cayo
Vice President—Business Affairs
Roy E. Disney
Vice President—16mm Production
Vincent H. Jeffers
Vice President—Marketing—Consumer Products Division
Orbin V. Melton
Vice President and Treasurer
Ronald W. Miller
Vice President—Executive Producer
Richard T. Morrow
Vice President—General Counsel
Richard A. Nunis
Vice President—Operations—Disneyland and Walt Disney World
James L. Stewart
Vice President—Corporate Relations and Assistant to the President
George A. Sullivan
Vice President—Tax Administration
Alberto F. Trevino, Jr.
Vice President—Real Estate
Lawrence E. Tryon
Vice President and Controller
Franklin Waldheim
Vice President and Eastern Counsel
Luther R. Marr
Secretary—Legal
Leland L. Kirk
Assistant Secretary-Treasurer
Donald A. Escen
Assistant Treasurer and Assistant Controller
Douglas E. Houck
Assistant Controller
Bruce F. Johnson
Assistant Controller
Donald E. Tucker
Assistant Controller

STOCK TRANSFER AGENTS:

Bank of America, N.T. & S.A., San Francisco;
Bankers Trust Company, New York.

STOCK REGISTRARS:

Bank of America, N.T. & S.A., San Francisco;
Morgan Guaranty Trust Company of New York, New York.

STOCK EXCHANGES:

The common stock of the Company is listed for trading on the New York and Pacific Coast Stock Exchanges.

INDEPENDENT ACCOUNTANTS:

Price Waterhouse & Co., Los Angeles.

ANNUAL MEETING OF STOCKHOLDERS:

Second Wednesday in February.

A copy of the Corporation's annual report to the Securities and Exchange Commission (Form 10-K) may be obtained by writing the Secretary's office.



Look to the name Walt Disney for the finest in family entertainment

